



# 101

## Essential Startup Tips



# 101 Essential Startup Tips

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## Summary

If you've considered starting your own business then you'll know the overwhelming feeling of knowing where to get started. We've gathered the best real-world advice from the frontlines. Almost every idea here is relevant to both early stage and growing businesses. Keep this list close from day one to the day you sell.

## Getting Started

1. Write a Business Plan. Take the time to do this. Even if you need to change it a few times the exercise is invaluable.
2. This may be a good time to hire a professional business plan writer/editor.
3. Give it to friends, co-workers, even family to read. Your business will be immeasurably stronger because you took the time for this step.
4. Register a domain.
5. Start the business with your own savings or borrow from a bank. You'll care for it a lot more if it's yours.
6. If you don't have any money you can borrow from family or friends. This generally ends in tears so think carefully about this before you ask.
7. Get an accountant or a firm in your state. Each state has different laws.
8. Make sure the accountant knows business taxes. Do not hire a family-oriented accountant.
9. Try to trade or barter services but beware of being taken advantage of. Discuss the value of what you are offering before you start work on the barter.



## Business Planning

10. Figure out what business problem you are solving. If you are just creating an elegant solution for a problem that doesn't exist you will be out of business very soon.

11. Solve the smallest possible problem that people will pay for. Complexity is expensive and time consuming.

12. Technical people like to build a "better mousetrap" but you need to be able to commercialize your ideas. Make sure someone on your team can productize and sell your mousetrap.

13. Know what your "unfair advantage" is and how to describe that to your customers in ten words or less.

14. Understand what your industry and market look like and where the best opportunities exist.

15. Stay focused. Don't get distracted by features and fads.

16. Pick your industry carefully. High visibility and low barriers to entry will result in supply exceeding the growth rate of demand.

17. Create a matrix that compares vendors and competitors against all the chief factors which buyers consider when making a purchase decision.

## Raising Money

18. Before deciding to raise money make sure you have exhausted all options to get money. Venture money is expensive and comes with conditions.

19. Getting the right investment partner is like marriage. Don't enter into an investment agreement without careful consideration. Not all money is equal.

20. Ask around your circle of lawyers and accountants to find out who has the best reputations.

21. Before signing anything with an investor ask them for a list of companies they have worked for and call the CEO's to get the other side of the story. If the investors can't provide you with references it's better to keep looking.

22. Under funding a company is not wise but you're much more likely to have a clear sense of exactly where that money is going to go than if you raised too much money.



## Managing Money and Forecasts

23. Separate your personal and business finances. Never be tempted to break this golden rule.

24. Don't start a company if you cannot assuredly come up with more capital than you think you'll need. It's almost certain that you'll have to.

25. Watch your cash flow like a hawk. History shows that 90% of the time, first year sales and gross margin do not reach expectations.

26. Failure to understand industry trends and norms sets you up for failure.

27. Counting on unrealistic performance metrics and forecasts has destroyed many businesses.

28. Cash is more important than your mother if you are an entrepreneur. Know where it is at all times and stretch every cent.

29. Forecasts are crap. Nobody really believes that the market for pens is a billion-dollar market and your new pen

will take 5% of that market. Closer inspection of any forecast reveals that you will only be able to sell to a tiny fraction of this huge market.

30. Furthermore, you'll need a distribution channel to make that happen. More about this later.

## Partnerships and People

31. Start the business with a partner. This person should be someone who challenges you and offers the business a different skill set.

32. This person should ideally be neither close personal friend nor family.

33. Partners make it easier to deal with hard times.

34. Partners should not be equal in responsibility. Pick a CEO and treat him or her like one. The buck has to stop somewhere.

35. A new venture's most precious resource is talent. Find A+ people and avoid hiring B teams at all costs.





36. Only work with people that can admit mistakes and move forward without an emotional explosion. Having a well developed EQ, or emotional quotient, is essential to a successful relationship with any business partner or employee.

### Setting up Office

37. Good presentation is essential but don't get stuck with an expensive lease.

38. Remember to write off all office expenses (rent, internet, phone, etc).

39. Gets you out of the house. Having a real place to go to work makes the business more real, and forces you to take it that more seriously.

40. Some businesses require a place to host clients but for others it's not as important.

41. Show me a startup with brand new furniture, flashy office space and top-end laptops and I will show you a future failure.

42. You don't need a secretary. I don't care how big you are, you don't need someone to screen your calls or book your flights. That's insanity.

### The Paper Trail

43. Make sure to keep a solid paper trail with clients, and that means a real, physical file with hardcopies of proposals, contracts, invoices, time sheets and anything else you can think of that relates to the project.

44. This also includes all financial records, bank statements, receipts, deposit slips, etc.

45. Before beginning your business, establish several important things. First, design a consistent and scalable filing system for all the forms. Whether you organize by client or project is irrelevant, but make sure you can find the information when you need it.

46. Make sure to have airtight contracts. Get a good template, tweak it and have your lawyer read it over.

47. You will also need to look for NDAs (non-disclosure agreements, for contracting work out to other freelancers),



RFP (request for proposal) templates for clients to fill out, expense reports, invoices, and time sheets. Every project is different, so be prepared to make changes on these forms.

48. Make sure all contracts, whether they are with clients or vendors, have all the necessary signatures. Seems like an obvious thing, but you'd be surprised. Don't do any work without one, because legally, you will have a very hard time forcing a delinquent client to pay without one.

### Pricing and Payments

49. Get a good invoice system.

50. Always charge fitting amounts for the work. If you undercharge, the client will learn to advantage of you by negotiating low rates in the future.

51. If you're selling a service make sure you get a deposit before you start work. It separates the serious clients from the tire-kickers.

52. Retain a part-time bookkeeper. This will be some of the best money you spend. It'll also make tax time a lot easier to bear.

53. Make sure your invoices arrive in the client's mailbox while the project is still fresh. Every invoice should clearly mark the amount to be paid and terms of payment and clearly indicate any additional fees resulting from delinquent recompense.

54. If payment is late, don't be afraid to call the client.

55. If there's one thing to remember from this article, it should be this point. Proper pricing is the one thing that keeps the business alive, on multiple levels. When you charge appropriate amounts for the work, the client will feel like they hired the right people; when you undercharge, the client will know this and take advantage of you by demanding similar rates in the future.

56. If you give every client a discount just to get the job (and this will be tempting, especially in the beginning), you'll find yourself working twelve-hour days and not being able to pay the bills.

57. Undercharging hurts the industry in general as well; undercharged clients come to expect and request absurdly low prices.



58. there is no start-up strategy more likely to fail than one predicated on being the lowest price competitor.

59. Price to market. Gross margin is your best friend. It can absorb all manner of adversity with two exceptions: philanthropy or pricing stupidity (actually, in this case, the two are synonymous).

### **Cut Costs**

60. Consider working from your house/apartment to start, especially if you have clients that will never visit you.

61. Keep your expenses down! Working out of a basement for a year will pay off more than you know.

62. Look for sales everywhere and shop smart. You're going to need the start-up capital down the road, so don't blow it all on consumables and frills.

63. Stay small for as long as possible.

### **Get Connected**

64. Join the Better Business Bureau.

65. Get involved with as many events you'll potential clients will be attending.

66. Get everyone you know with a legitimate website or blog to link to you. The bigger and more relevant the site the better.

67. Vendors like manufacturers or retailers or even other business partners might be willing to link to your site.

68. Develop business relationships with non-competing businesses in the same field. Leverage these relationships online and off, by recommending each other via links and distributing each other's business cards.

69. Launch an affiliate program. Most of the links will not have SEO value, but the added exposure will probably lead to additional links.

### **Outsourcing and Vendors**

70. You can't do everything yourself. Get help from professionals.

71. Outsourcing to experts saves you time, money and gets



you a better product or service.

72. Running a business is hard enough without having to manage other people. Make sure you have good chemistry and complete transparency with the people you choose to work with.

### **Technology and Development**

73. Technology should solve specific customer problems. Solve little problems that have a big impact.

74. Ideas are everywhere and you can't make a business out of an idea. If your technology is as good as you think it is, build a prototype and get someone to pay you for it.

75. Perfection is the enemy of any technology launch. Some engineers hate to launch before the product is perfect. The problem with this approach is that you never launch and you never get good feedback before the product hits the mainstream.

76. Test, test and test. There is no replacement for a bug free experience.

### **Marketing and Promotions**

77. Build a very detailed roadmap of how you are going to reach your market.

78. Assign responsibility and accountability to the people involved to execute these ideas.

79. If you are raising money make a list of all the things you have already achieved and what still needs to be done with the marketing dollars you will be asking for. Investors want to see you have made progress before you came to their doorstep asking for more cash.

80. Don't just rely on one or two big clients. Make sure you are constantly putting your company's name in front of potential clients.

81. Word of mouth is the best marketing tool. Get you existing customers, vendors, partners and friends to talk about you by providing excellent service and kindness.

82. The visual identity is critical to making a good first impression. Get business cards and a logo designed by someone who knows what they are doing.





83. Get people hooked on your service before up-selling them. Craig's List was free for a long time before they started adding paid-for services.

84. Launch everyday. Don't wait until it's perfect to put it out in the open. Put whatever you can out there and get people using it as soon as possible.

85. Feed your clients weekly with new updates and features to keep them interested and excited to come back.

### Your Website

86. Your website is your most important marketing and sales tool. Don't settle for a \$3 template and hosting service on this significant element.

87. Extra clicks will kill traffic and conversions. Make things really simple.

88. Use technology on your website to improve the customer experience not to look sexy. Ajax is great but if it is pointlessly adding additional work for you and for the customer, dump it.

89. Distribute your articles and web content on Flickr, with Google Adwords, Amazon affiliates, Indeed jobrolls, del.icio.us linkrolls, moblogging, RSS, e-mail alerts, etc.

### Execution

90. Focus on the "how" you do things and not just on the "what" you do.

91. There is no substitute for getting things done. All the planning in the world won't get you to where you need to be.

92. Fire, aim, fire.

93. Make a list every morning and tick off the tasks you complete as you go.

94. Begin the day by focusing on the biggest tasks so you will build momentum and feel energized for the rest of the day.

95. Better to iterate a hundred times to get the right feature right than to add a hundred more.



### More Stuff to Know

96. Never get too comfortable. Success can breed laziness which takes your eye off the ball.

97. Grow yourself, not just your business. Get educated and adjust as you.

98. Be willing to walk away from clients or opportunities that don't help you move the ball downfield. Easy money has a cost.

99. Design something to start taking money within six months then you have something to fuel marketing costs with. Having money gives you options and flexibility. That's a good thing.

100. Get going. Start making that product or service.

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