

# 5 Burning Questions

Every Business Owner Needs to Answer

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# Wondering How to Start a Small Business?

Learning how to start your own small business might seem like a daunting task - especially if you don't know where to start.

Sure, you've got a good business idea. But how do you know if it's enough? What first steps do you need to take to start your business? And what do you do once you're ready to find customers?

These are definitely good questions that every entrepreneur has asked at some point - and that's why we're setting out to answer them. Whether you're running a cleaning business or opening up a restaurant, take a look at the questions you need to answer before you start your business.

## Question One

# Do I Have a Good Business Idea?

Before you can begin diving into what you need to start a small business, it's important to ask yourself this one question:

### **Do I have a good business idea?**

Not every idea is meant to be turned into a business. Even an idea that seems like it could be the next Facebook might end up falling flat. That's totally okay - sometimes the ideas we're most passionate about may not be the ones that work out. The best businesses succeed in getting off the ground because they expertly blend together this magic formula:

**Your Passion + Solving a Customer's Problem = Success**

It's a little simplified, but it gets to the main point: A business idea is only as good as the problem it solves.

A good business idea should ignite your passion and drive, but don't let it cloud your judgement. The bottom line here is that unless you have customers, even your greatest business idea won't make it.

So how do you know if you've struck gold with your business idea? Keep an eye out for these signs:

- Your family and friends keep talking about your business idea
- You've shared your idea on social media, and it sparked a conversation
- You've shared the idea with potential customers and they loved it

The key here is to make note of how much buzz your business idea generates. There's a real difference between a polite reaction ("Oh how nice! Hope your business goes well.") and one where you could potentially land a customer ("That idea's amazing! Let me know when you're ready for my business.")

## Question Two

# How Much \$\$\$ Do I Need to Start a Business?

Starting a small business will definitely involve some startup costs. While you don't need a fat cushion of funds in your bank account, it *is* important to take note of what resources you already have, and what you might need. If you have savings set aside, great; if not, you'll need to figure out where your startup funds are coming from.

It's okay if you don't have the answers to these questions now. But it's worth researching how much other businesses needed when they first started out. For that reason, talk to other entrepreneurs in your industry or reach out online. There are plenty of Facebook groups, LinkedIn networks, and forums out there filled with people who are happy to point you in the right direction.

The best way to get the funds to start your business largely depends on these factors:

- The type of industry you're operating in
- If you have office space or business property
- If you need lots of tools, software, products, etc.
- How much money you'll invest in your marketing (more on this later)
- How much startup capital you already have
- How much capital you need to get up and running

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**Remember, each industry is different and requires different startup capital. For example, starting a commercial cleaning business or handyman service is going to take a lot less capital than starting your own restaurant.**

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## No matter what route you'll be using to finance your small business - be it small business loans, grants, or self-funded - make sure you avoid these common money mistakes:

### Not doing your research

We've mentioned it before, but it's worth mentioning again: Make sure you research exactly how much you should anticipate spending on your new business. While you don't need to get an exact figure, you do need some sort of ballpark idea. Otherwise, it becomes too easy to quickly run out of money.

### Not planning for the famine

Unless you're very lucky, you're probably not going to land sales right away. In fact, you may even have a few months where you're not making money at all. Make sure you plan ahead for these "famine" periods. Have enough funding to see you through the months where you're spending heavily but not making money. Give yourself a timeline for when you want to start breaking even or making a profit, since you don't want to be dipping into your rainy day fund forever.

### Going to the wrong bank

Make sure you're picking the right lender for your small business. Ideally, this lender will understand your particular industry, as well as what common financial milestones look like. Ultimately, you should pick the lender that makes you feel comfortable and confident. Think of your lender as another business partner - you only want to work with one that's just as excited about your business as you are.

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Of course, you could always start a business without money; it can be a challenge, but if overhead is minimal, it *is* possible.

## Question Three

# How Do I Pick My Tax Structure?

One of the toughest challenges to starting your business is picking your structure. Your business structure will have implications on:

- How you file for taxes
- How much you end up paying in taxes
- Your personal liability for losses and damages

It's no exaggeration to say that picking your business structure is one of the most important decisions you'll make during these early stages. So let's make sure you have all the information you need to make the best decision for you!

There are a few questions you should ask yourself before you start looking into which business structure you should pick.

Think through your answers to these questions:

- Are you starting a full-time business, or are you doing this as a side business or money-making hobby?
- Do you want to be personally liable for any business debts, or do you want to protect your personal assets?
- Are you starting this business yourself, or working with someone else?
- Are you willing to learn more about any corporate obligations you might have?

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## Don't worry if you're not sure of all the answers to these questions.

The main goal here is to figure out how much time you're going to devote to your business, and how much you want to protect your personal assets. If you're starting a business with someone else, that could affect the type of tax structure you should chose.

In general, here are the different types of business structures you can choose from:

- [General partnership](#)
- [Sole proprietorship](#)
- [Corporation](#)
- [Limited liability company \(LLC\)](#)

When structuring your business, you may be required to create a federal and state tax ID, which is known as an **Employer Identification Number (EIN)**. Your EIN makes it possible for your business to pay state and federal taxes, as well as hire employees and conduct other business activities. You'll also need an EIN before you can open a business bank account.

Applying for an EIN is a pretty straightforward process - [just head to the IRS website to get yours.](#)

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**Once you've figured out which business structure works for you, you'll need to determine which licenses and permits you need to apply for.**

Fortunately, this process is extremely easy, thanks to the [US Small Business Administration's](#) handy-dandy website. If you haven't already checked out their website, take some time out of your day to do it - the site is chock full of great information on requirements for getting your business up and running.

## Question Four

# What's the Best Way to Protect My Business?

Don't forget about business insurance!

*But wait a minute, you might be thinking to yourself. I'm still learning how to start a small business - why do I need business insurance?*

Simple: It ensures that you're protected from costs associated with lawsuits, property damage, and medical bills. Similar to how car insurance protects drivers against massive bills, business insurance keeps you protected from claims and lawsuits, whether a claim occurred on your business's property or in a client's home.

Business insurance is no joke - and if you want to own a successful small business, you *have* to have it. Many clients won't work with you if you're not insured. In fact, in many states, you may find that you can't even get licensed without business insurance.

You shouldn't need anything too complicated when you're starting out your business. Most business owners will need to start with a [general liability insurance policy](#), which typically covers accidents, property damage, and anything else damaged while running your business. Business owners with employees should also secure a [workers compensation policy](#), which covers the medical costs and wages of any employee who is injured on the job.

## Question Five

# How Do I Find Customers?

**When it comes to finding customers, new businesses can come across a lot of obstacles.**

For example, you're probably competing against other businesses that offer a similar product or service as you. You might not have the biggest marketing budget, so it feels like a challenge getting word-of-mouth out there. And you might feel pressured to starting being profitable right away - how else are you going to pay your bills?

**Take a deep breath; these challenges *can* be overcome. All you need is a little imagination, some elbow grease, and the tips you'll find in this section:**

#### **Spend some time with your customers**

Talk to the people who might become your potential customers. It doesn't matter who they are - family members, friends, past colleagues, or even clients from another job - so long as they have a genuine interest in your business's products or services. After all, it's tough getting actionable feedback from your best friend from school if he or she has no idea what you're trying to sell.

#### **Identify your product's value**

Find a way to sum up what makes your product so different and valuable in one to two sentences. No need to get fancy; in fact, the best sentences are usually the simplest. Your product's value statement can help inspire a lot of your marketing campaigns. In fact, think of it as an elevator pitch for your business - it's what you'll tell potential customers when you manage to grab a few seconds of their time.

#### **Network, network, network**

Don't underestimate the power of word-of-mouth. If you want to get word about your business out there, it might be worthwhile to go to local events, fairs, and any other places where you can reach out to potential customers. Make sure you have professional business cards with your contact information that you can hand out to customers. Pretty soon, your networking efforts will build up the momentum you need to start bringing in customers.

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### **Offer discounts and free trials**

Whether you're providing a product or a service, free trials and discounts can do a lot to help you attract new customers to your business. In order to make free trials work for you, ensure that the product or service you're offering is so indispensable that your customer can't live without it. If you're offering a "meh" product or service, you'll end up losing a lot of potential business after your free trial ends.

### **Create relationship maps**

A relationship map is a visual aide that helps you identify where your product or service is needed the most. Once you've identified where it's needed, list out the people within that area that you have a strong relationship with. For example, if you run a commercial cleaning business, a relationship map could help you locate a few local trade organizations with businesses who might benefit from your service.

### **Use social - wisely**

Your customers are probably spending a lot of time on social networking sites like Facebook and Twitter, so if you want to reach out to them, consider investing in paid social campaigns. Each platform is different, but in general, paid social campaigns place your ads in front of customers while they're scrolling through their feed. Social campaigns provide great opportunities to offer free trials and first-time customer discounts, but be warned - it can be easy to overspend on social campaigns.



**Sometimes it can feel as though it's taking forever to find your first customer, but keep your head up! The work you're putting in now is creating momentum for your business for years to come.**

Starting your own small business will be tough - but it will also be one of the most rewarding things you could ever do.

Think about all the freedom you're about to enjoy. The ability to make your own decisions without a boss telling you what to do.

Whatever your reasons, starting your own small business is going to be life-changing. So take this moment to appreciate where you are right now.

That's because if you follow the advice of this guide, there's a good chance you'll be running a successful small business in the future.