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3rd Edition

Starting a Business

ALL-IN-ONE

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Books
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Eric Tyson, MBA
Bob Nelson, PhD, et al.



Starting a Business

ALL-IN-ONE

3rd Edition

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Starting a Business All-in-One For Dummies®, 3rd Edition

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Introduction

Welcome to *Starting a Business All-in-One For Dummies*, 3rd Edition!

It's a good bet that you share the popular dream of starting your own business and being your own boss. Increasingly, this dream is becoming more relevant to the challenges of the economy that has emerged. It's not just a pie-in-the-sky dream anymore; starting a business is a reality that has created opportunity and satisfaction for many people who decided to take the plunge — just as it can for you.

This book presents and explains a wide variety of information, all aimed at enlightening you on what you need to know and ensuring your success. Whether you need know-how and advice on turning your idea into reality, creating a business plan and business model, finding funding, picking a legal structure, setting up your books, marketing and promoting, or staying in business for the long haul, you'll find the help you need here. Most of this book is applicable to you whether your business is a local business, a start-up corporation, a franchise, or based out of your home.

The aim of this book is to provide you with the very best ideas, concepts, and tools for starting and successfully operating your business. Using the info here, you should be able to create exactly the kind of business you've always dreamed of and find exactly the level of success you've always wanted.

About This Book

This book is a generous conglomeration of material from a number of *For Dummies* business books, carefully selected with an eye toward getting the new business owner/entrepreneur up and running. Your current level of business experience (or lack thereof) doesn't matter. Don't worry about not having years of management experience under your belt or about not knowing the difference between a *balance sheet* and an *income statement*.

For a fraction of the amount you'd pay to get an MBA, this book provides you with an easily understandable road map to today's most innovative and effective business techniques and strategies. The information you find here is firmly grounded in the real world. This book isn't an abstract collection of theoretical mumbo-jumbo that sounds good but doesn't work when you put it to the test. Instead, you'll find only the best information, the best strategies, and the best techniques — the same ones that top business schools teach today.

This book is also meant to be at least a little fun — running a business doesn't have to be a bore! In fact, maintaining a sense of humor can be vital when facing the challenges that all new business owners face from time to time.

A quick note: Sidebars (shaded boxes of text) dig into the details of a given topic, but they aren't crucial to understanding it. Feel free to read them or skip them. You can pass over the text accompanied by the Technical Stuff icon, too. The text marked with this icon gives some interesting but nonessential information about starting your own business.

One last thing: Within this book, you may note that some web addresses (URLs) break across two lines of text. If you're reading this book in print and want to visit one of

these web pages, simply key in the web address exactly as it's noted in the text, pretending as though the line break doesn't exist. If you're reading this as an e-book, you've got it easy — just tap the web address to be taken directly to the web page.

Foolish Assumptions

This book makes a few assumptions about you. For example, you have at least a passing interest in starting your own business. (Duh.) Maybe you've already started a business and are looking for tips to refine the techniques you're already developing. Or perhaps it's something you think you may want to try and are looking to read up on it before you make your move. In any case, you've come to the right place.

It's also safe to assume that you can — or believe you can — produce and deliver products or services that people will be willing to pay you for. These products and services can be most anything. You're limited only by your imagination (and, of course, your bank account, about which you'll soon be reading quite a bit).

Finally, this book assumes that you're eager to scoop up and implement new tips and tricks and that you're willing to acquire some new perspectives on the topic.

Icons Used in This Book

Icons are handy little graphic images that are meant to point out particularly important information about starting your own business. Throughout this book, you find the following icons, conveniently located along the left margins:



REMEMBER Remember the important points of information that follow this icon, and your business will be all the better for it.



TECHNICAL STUFF This one points out slightly advanced material that you can safely skip if you're in a hurry. But by all means, read these if you want to stretch yourself a bit.



TIP This icon directs you to tips and shortcuts you can follow to save time and do things the right way the first time.



WARNING Danger! Ignore the advice next to this icon at your own risk!

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In addition to the material in the print or e-book you're reading right now, this product comes with some access-anywhere goodies on the web. Check out the free Cheat Sheet for answers and helpful tips online. To get this Cheat Sheet, simply go to www.dummies.com and search for "*Starting a Business All-in-One For Dummies Cheat Sheet*" in the Search box.

Where to Go from Here

If you're new to starting a business, you may want to start at the beginning of this book and work your way through to the end. A wealth of information and practical advice awaits you. Simply turn the page and you're on your way! But you can start anywhere. If you already own and operate a business and are short of time (and who isn't?), feel free to use the table of contents and the index to zero in on particular topics of interest to you right now.

Regardless of how you find your way around this book, the sincere hope of this endeavor is that you'll enjoy the journey.

Book 1

Moving from Idea to Reality

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Chapter 1

Your Business in Context

IN THIS CHAPTER

- » Analyzing the feasibility of your business idea
 - » Figuring out your industry
 - » Doing research on your industry
 - » Determining where you fit in
 - » Targeting a new product for the market
-

This chapter starts at the very beginning, looking at how to step back and see a potential start-up business in the context within which it operates. If you've already started your business and are committed to it, or if you know exactly what kind of business you want to run and nothing will change your mind, or if your idea is to start rather small, with a modest idea that doesn't require finding much funding to get you going, you can skip this chapter. Good luck to you.

But it could be to your advantage to stick around anyway, because the fact is, not every business is a good idea at the time and place where it is born. You could save yourself some heartache by examining the external factors that will affect your business whether you like it or not. If you choose the right business at the right time and the right place, your chances of success are much higher.

Every successful business operates inside an environment that affects everything it does. The environment includes the industry in which the business

operates, the market the business serves, the state of the economy, and the various people and businesses the business interacts with. Your business doesn't exist in a vacuum. Now, more than ever before, understanding your industry is a critical component of your business venture's success.

If you position your company well inside a growing, healthy industry, you have a better chance of building a successful venture. By contrast, if your business niche is a weak position in a hostile, mature industry, your fledgling business may be doomed. Conducting a feasibility analysis can be a good way to get a clear picture of the landscape. The first section of this chapter provides an overview of this process.

Getting an Overview of Feasibility Analysis

A *feasibility analysis* consists of a series of tests that you conduct as you discover more and more about your opportunity. After each test, you ask yourself whether you still want to go forward. Is there anything here that prevents you from going forward with this business? Feasibility is a process of discovery, and during that process you will probably modify your original concept several times until you get it right. That's the real value of feasibility — the way that it helps you refine your concept so that you have the highest potential for success when you launch your business.

Today, you can often go for financing on the strength of a feasibility study alone. Certainly in the case of Internet businesses, speed is of the essence. Many an online business has gotten first-round financing on its proof of concept alone and *then* done a business plan before

going for bigger dollars in the form of venture capital. But even if your business is a traditional one, feasibility can help you avoid big early mistakes.

Executive summary



REMEMBER The *executive summary* is probably the most important piece of a feasibility analysis because, in two pages, it presents the most important and persuasive points from every test you did during your analysis. An effective executive summary captures the reader's attention immediately with the excitement of the concept. It doesn't let the reader get away; it draws the reader deeper and deeper into the concept as it proves your claim that the concept is feasible and will be a market success.

The most important information to emphasize in the executive summary is your proof that customers want what you have to offer. This proof comes from the primary research you do with the customers to find out what they think of your concept and how much demand there is. The other key piece to emphasize is your description of your founding team. Even the greatest ideas can't happen without a great team, and investors put a lot of stock in a founding team's expertise and experience.



TIP For an online business, you may want to prepare what's called a *proof of concept*. This is essentially a one-page statement of why your concept will work, emphasizing what you have done to prove that customers will come to your site. That may be in the

form of showing hits to your beta site or a list of customers signed up and ready to go when the site is finished. Similarly, if you're developing a new product, your proof of concept is your market-quality prototype.

Business concept



REMEMBER In this first part of the body of your feasibility analysis, you are developing your business concept. Essentially you are answering these questions:

- » What is the business?
- » Who is the customer?
- » What is the value proposition?
- » How will the benefit be delivered?

Make sure you can state your business concept in a few clear, concise, and direct sentences that include all four of the components of the concept. This is what is often called your *elevator pitch* — a conversation that begins when the elevator door closes and ends when the door opens at your floor. That means you have only a few seconds to capture your listener's attention, so you better be able to get it all out quickly and confidently. If you're preparing a feasibility analysis that will be shown to investors, you should state your business concept right up front in the concept section. Then you can elaborate on each point as a follow-up. Here's an example:

Rural Power Tools is in the power equipment business, providing contractors and developers

solutions to power needs in remote areas through rental equipment outlets.

As you find out more about your business concept, you'll also want to consider the various spin-off products and services you may be able to offer.



WARNING One-product businesses often have a more difficult time becoming successful than multi-product/service companies. You don't want to put all your eggs into one basket if you can help it, and you want to give your customer choices.

Industry analysis

Testing whether or not the industry in which you will be operating will support your concept is an important part of any feasibility analysis. Here you look at the status of your industry, identify trends and patterns of change, and look at who the players in terms of competitors may be. Also, don't forget that one way to *find* a great opportunity is to study an industry first. More details on how to do an industry analysis are covered in the later section "[Researching an Industry.](#)"

Market/customer analysis

Here you will be testing your customer. Ideally, inside your industry, you find a market segment appropriate to your business. Then you identify a niche that is not being served so that you have an entry strategy with the lowest barriers possible and the highest probability of success. In this part of the analysis, you also look at what your potential customer wants and what the demand for your product/service is. You will also consider a variety of different distribution channels to deliver the benefit to

the customer. To find out more, see the later section [“Defining Your Market Niche.”](#)

Genesis or founding team analysis

Investors look very carefully at the founding team because even the best concept won't happen without a team that can execute it. In this part of the analysis, you want to consider the qualifications, expertise, and experience of your founding team, even if that consists of only yourself. Be aware that today's business environment is so complex and fast-paced that no one person has all the skills, time, and resources to do everything him- or herself.

Product/service development analysis

Whether you're planning to offer a product or a service or both (and that's usually the case), it's going to take some planning. Consider which tasks must be accomplished to prepare the product or service for market, whether that is developing a product from raw materials and going through the patent process or developing a plan for implementing a service concept. Identify these preparatory tasks and figure out a realistic timeline for completion of them. Put that timeline in your analysis.

Financial analysis

In this part of the feasibility analysis, you figure out how much money you need to start the business and carry it to a positive cash flow. You also distinguish among the types of money, which will be important in defining your financial strategy. You can find out more about finding funding in [Chapter 2](#) of Book 2.

Feasibility decision

After you have gone through all the various tests that comprise the feasibility analysis, you are ready to make a decision about going forward. Of course, throughout the process of doing the tests, you may have decided to stop — because of something you found out from analysis of the industry, market, product/service, and so forth. But if you're still on the mission, now's the time to define the conditions under which you go forward.

Timeline to launch

You always need to end a feasibility analysis with an action plan so that you're sure that at least something will happen. Establishing a list of all tasks to be completed and a time frame for completing them will increase the probability that your business will be launched in a timely fashion. The research you have done along the way will help you make wise decisions about the length of time it takes to complete everything and open the doors to your business.

Understanding Your Industry

New industries emerge on a regular basis. In fact, with e-commerce holding so much of the attention of young businesspeople today, you may well ask, "Is e-commerce an industry?" That's a great question. If you define an industry as a group of related businesses, then all e-commerce businesses have one thing in common: the Internet. But retail businesses, manufacturers, wholesalers, and service companies are all on the Internet, so every member of the value chain is found in one location.