
Start Smart



Nevada SBDC business advising services are no-cost and confidential.

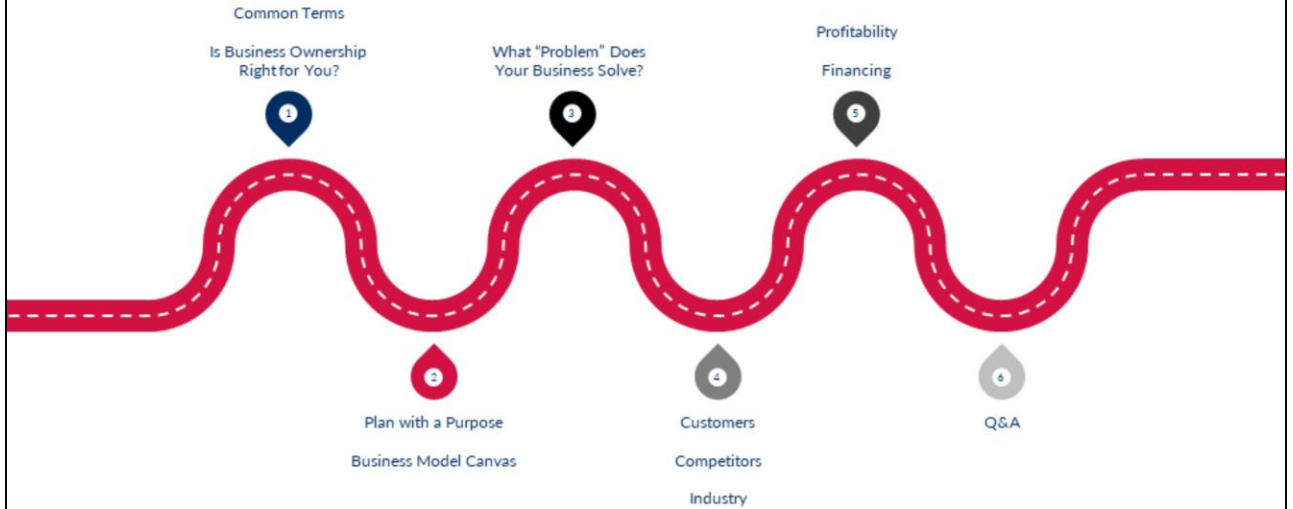
Please visit our website at
www.nevadasbdc.org or call us at
800-240-7094 to make an appointment.

Our services are no-cost and confidential!

Funded in part through a cooperative agreement with the U.S. Small Business Administration.



Agenda



Common Terms / Glossary



Business Model

Core aspect of running a successful business



Customer Segments

Customer groups with common characteristics



Roadmap

A detailed plan with actionable steps you need to accomplish a goal



Target Customer

Ideal customer or buyer persona



Value Proposition

Product/service offering

Is Business Ownership Right for You?

Entrepreneurship Readiness Assessment

Signs you are ready



Signs you are not ready

Image: Flaticon.com

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Business ownership readiness assessment

- Topics of the business ownership assessment include:

- 1) General questions** – Why do you want to start a business? Do you have family support? Have you worked in this industry? Have you taken any courses on running a small business?
- 2) Personal characteristics** – Are you a leader? Like to make decisions? Enjoy competition? Planner? Like people? Outgoing?
- 3) Lifestyle** – Can you handle the lifestyle of starting a new business?
- 4) Skills** – What skills do you have? Inventory your skills and determine if they match up to the skillsets required for your business model

- Goal of assessment:

- Determine if you want to be a business owner for the **long-term**
- Find potential gaps in your personal preparedness

8 Signs You're Not Ready to Start Your Own Business -

<https://www.businessinsider.com/signs-not-ready-to-start-your-own-business-2018-11#1-you-have-a-low-appetite-for-risk-1>

- Low appetite for risk
- Scarcity mindset – Thinking “there’s a finite number of opportunities and resources” can lead to bad decision making/pursuing avenues out of desperation
- You need to profit quickly
- You don’t understand your numbers

- You're not willing to market your idea

15 signs you might be ready to start your own business —

<https://www.entrepreneur.com/article/246755>

- Passion for your venture
- Truly believe in your idea
- Appetite for learning
- Ready to face failure
- No major life changes
- Experienced in your industry

- Entrepreneurship Readiness Assessment from SBA.gov:

https://www.sba.gov/media/training/encore_09012016/story_content/external_files/Readiness%20Assessment.pdf

Business Planning with a Purpose



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Can your idea make money?

- **Value proposition** – What's the product/service you want to provide and what's your unique way of providing it?
- **Customers** – What people/businesses/organizations do you want to provide your product/service to? How large is this group? How much of the group can you serve/sell to?
- **Competitors** – What other companies provide a similar product/service? How does your intended product/service compare?
- **Industry** – What industry does your company exist in? Is it growing shrinking? What are the trends?
- **Cost/Price** – What will it cost you to start your business? To run it on a monthly basis? What will you price your products/services at based on your costs, your customers' willingness to buy, and your competitors prices?
- **Profitability** – Based on the all these factors, is there a good opportunity for you to make money?

Create a roadmap

- In your initial planning, you should determine if an idea can make money and research the topics related to making that determination (topics like the product/service you want to offer, your customers, your competitors, your industry, cost/profitability).
- In subsequent planning, you should expound on your initial research to learn about all other aspects of the business you're unfamiliar with and to figure out how you'll

handle each aspect (by doing it yourself, hiring employees, or hiring another company). Other aspects include (but aren't limited to):

- Entity formation, licensing, and other legal issues
- Hiring and managing personnel
- Accounting & taxes
- Advertising/promoting/marketing
- Financing your business
- Reiterate/refine – When you finish a draft of your business plan, you'll

have an initial roadmap of how to launch and operate the business and how to measure its success. As time goes on, you'll learn more about your business model and industry. When you do, you should revisit the framework you've built and update it to better fit what you now know about your business. As time goes on, you should hone your understanding of your customers, your competitors, your product/service, your marketing strategy, and how it all fits together to make a profitable business.

Prepare a Deliverable

- Attract partners and key employees
- Convince a landlord to lease you space
- Secure financing through lenders, investors, or friends/family

Avoid the Common Pitfalls of NOT planning

- Failing to find a viable market
- Going into business without a competitive advantage / differentiator
- Setting a poor pricing strategy (Too high for your customers? Too low for you?)
- Failing to find and/or retain customers
- Undercapitalizing the business

Helpful article: [20 Reasons Why You Need a Business Plan](https://www.growthink.com/content/20-reasons-why-you-need-business-plan):

<https://www.growthink.com/content/20-reasons-why-you-need-business-plan>

SBA Business Guide– <https://www.sba.gov/business-guide>

Business Model Canvas*



*BMC is owned by Strategyzer.com

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- BMC is a planning tool created by a business theorist Alexander Osterwalder and owned by his company Strategyzer.com
- Made up of nine building blocks, the BMC can help new business owner expound on their problem/solution statement
- We won't go into depth on each building block, as the model is pretty selfexplanatory. However, I encourage you to use this tool as most topics covered in Start Smart fit one of the BMC's nine building blocks.
- Using this tool will help you to identify gaps in your business model

How to use business model canvas's 9 building blocks on Strategyzer:
<https://strategyzer.uservice.com/knowledgebase/topics/113454-using-our-tools canvases-methods>

Info on legality of using BMC here:
<https://strategyzer.uservice.com/knowledgebase/articles/506842-can-i-use-the7-business-model-canvas-or-value-propo>

Business Model Canvas– <https://www.strategyzer.com/>

Question: Are any of you already using a business planning tool? If yes, what are you using?



What “Problem” Does Your Business Solve?

What “problem” does your problem solve?

Whose problem are you solving?

How does your business solve it?

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Why the problem/solution framework is useful

- Empathize w/ customer to understand their needs
- Refine product/service to meet the needs
- Determine what’s unique about your solution

Write your own problem statement

Good problem statement article- <https://www.startups.com/library/expert-advice/write-best-business-problemstatement>

How to write a problem statement– <https://www.startups.com/library/expert-advice/writebest-business-problem-statement>

Who Are Your Customers?



Why

What

How



Why it's important to know your customers

- Know their needs & tailor your product/service to meet those needs
- Estimate market opportunity
- Market to them effectively
- Determine channels to communicate through
- Determine what phrasing to use when communicating

What to know about them

- What are the needs/problems of theirs that you're solving?
- Demographics (age, income, # of kids, education, geography, etc.)
- Psychographics & personality – why does your customer buy, personalities, lifestyles, interests, opinions/attitudes/beliefs, values
- What reason do they buy e.g. candle experience: as decoration? for fragrance? as gift?
- Personalities: introverted vs extroverted customers can
- Lifestyles:
- Interests:
- Opinions/attitudes/beliefs:
- Values:
- Intro to psychographics video - https://www.youtube.com/watch?v=R4RKJnhiiy_k
- Psychographics article - <https://www.hotjar.com/blog/psychographics-inmarketing/>
- Market size – How many people are there that are potential customers for your business in your city, your state, your country, the world?

How to learn about them

- Write your best guess first. Then, research your customers and update your assumptions as needed.
- Tap into industry research
- Potential sources: trade associations, industry publications, industry research databases, the Nevada SBDC
- Talk to your competitors / owners of comparable businesses – they have insight into product/service, customers, pricing strategy, marketing strategy, etc.
- Look outside of your region if necessary.
- Talk to your target market 1-on-1 (in-person or online)

Rinse & repeat for all potential customer groups

- Multiple products/services that appeal to different types of people? Redo this exercise for each different group and define as different customer segments
- Have one product that appeals to different types of people? Redo this exercise for each different group to determine the different customer segments
- Defining potential customer segments (which are essentially groups of people you categorize together for ease of reference) helps you determine
- (1) What product(s) you should put the most time/effort into
- (2) What customer segments you should put the most time into pursuing

Question: What method have you used to learn about your customers so far (1-on1s, surveys, competitors, your best guess)?

Who Are Your Competitors?



Why

Types

What

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Why is it important to know your competitors?

- Understand how you measure up. Identify strengths & weaknesses
- Building your pricing strategy
- Understand who their customers are (are you competing or serving a different niche?) => informs your marketing strategy
- Understand their marketing strategy and use it to help build yours
- Anabel – Who are they? What do they do? Make yourself different (in your product or service, not necessarily your price)
- Anabel – At least look at five competitors

Types of competition

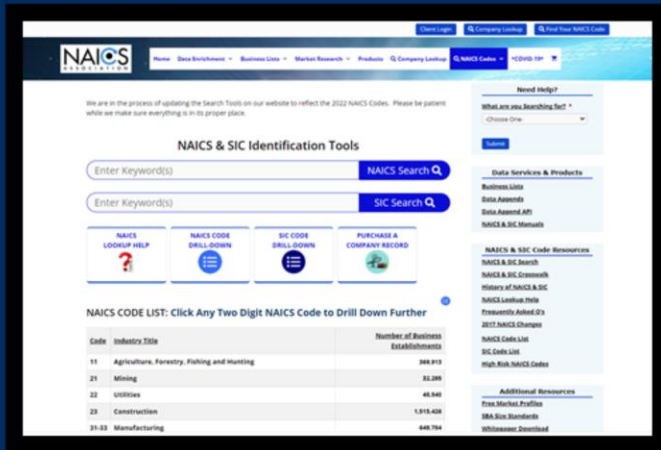
- Direct competitor – another business that offers the same solution to the same customer problem/need as your business does
- Indirect – another business that offers a slightly different solution to address the same customer problem/need as your business does
- Substitutes – There might be substitute solutions offered by different businesses. Consider these solutions as potential sources of competition too
 - Ex. gym membership vs working out at home vs sports leagues
- Role model – If there's a comparable business (preferably from another region) that you think excels in your industry, you might consider using their business model to inspire yours (as long as you're not infringing on their intellectual property)

What to know about your competitors

- What are their product/service offerings?
- What is their pricing strategy?
- Who are their customers?
- Is their customer feedback available online? (It could give you great insight into the strengths and weaknesses of your competitors.)
- How do your competitors market themselves?

Competitive Analysis Template– <https://core.score.org/resources/competitive-analysis/template>

What's Your Industry?



North American Industry Classification System (NAICS)

[NAICS.com/search](https://www.naics.com/search)

Standard Industrial Classification (SIC)

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Why should you know your industry?

- Is your industry growing or shrinking? Is the trend working for or against you?
- Is their customer and market research that's already been compiled on your industry?
- Are their best practices of running a business in your industry?
- Are their emerging trends and technology?
- Are their trade shows and/or conferences you can attend to grow your understanding of your industry?
- Are their trade associations you should be a part where you can find all this^^^?

How to research your industry

- 1) Identify what your NAICS code is and what name people in the industry ascribe to the industry
 - 1) NAICS stands for North American Industry Classification System
 - 2) Google "what is NAICS code for"
 - 3) Use NAICS.com's lookup tools: <https://www.naics.com/search/>
- 2) Use the below data sources, google searches, etc. to pull together industry data 11 relevant to you
 - 1) Trade associations that publish annual industry/market research reports
 - 2) Industry research firms with database (often have a cost associated with their reports)
 - 3) Government organization databases

- 1) Consumer Expenditure Surveys – US Bureau of Labor Statistics
<https://www.bls.gov/cex/tables.htm>
- 2) Nevada Department of Taxation
<https://tax.nv.gov/Publications/Publications/>

Get help from the Nevada SBDC, as we have access to some databases that aren't publicly available

Wikipedia page of industries–

https://en.wikipedia.org/wiki/List_of_industry_trade_groups_in_the_United_States

What will it cost to run your business?

- Estimate the startup costs
- Estimate the monthly operating expenses
- Determine the breakeven revenue



How much money do you need to start (estimate your startup costs)?

Common startup costs include but aren't necessarily limited to:

- Furniture, Fixtures & Equipment
- Inventory & Supplies
- Licenses, Insurance, Monthly Subscriptions
- Professional Fees (Accounting & Legal)
- Marketing
- Lease Improvements / Build-Out
- Industry-Specific Costs
- Working Capital (3-6 months of monthly business expenses)

What are your monthly bills (estimate your monthly operating expenses)?

Common monthly expenses include but aren't necessarily limited to:

- Inventory / Cost of Goods Sold / Suppliers
- Payroll (yourself or others)
- Marketing/Advertising
- Rent
- Supplies (General and Office)
- Utilities
- Dues & Subscriptions (POS, software, services, etc.)
- Debt service

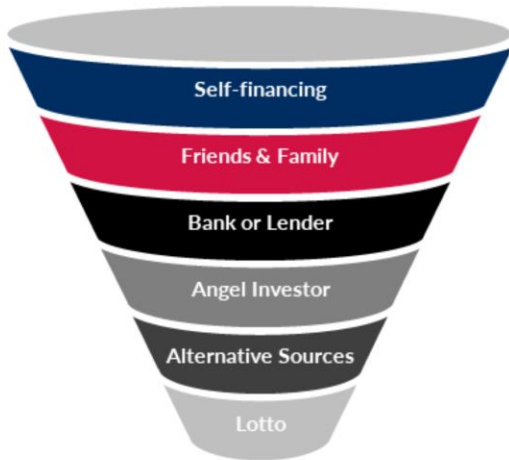
How much money will you make (estimate your revenue)?

- How much do you need to stay afloat? (Calculate your breakeven revenue) (Define BE revenue for attendees.)
- How much do you think you'll make? (Estimate revenue based on your experience in the industry.)
- How much do other comparable business make? (If you find a fellow business owner to pick the brain of, ask them about their revenues in their first few years of operation)
- Comparable businesses' revenues data – pull data from local data sets if available, regional data sets, or national data sets (least relevant but still useful)
 - It's not a bad idea to research comparable companies' revenues by visiting their locations, observing their business, and extrapolating their revenues (if feasible)
- Ask the Nevada SBDC for help!

Estimate your monthly cash flow

- Will your customers pay you immediately? If not, then you'll need to make sure you have enough cash to pay the bills when you're waiting to receive payment, especially when you're starting up and growing.
- Will you pay your vendors/suppliers immediately for inventory and supplies? If not, this may benefit your cash flow.
- Talk about potential issues with rapid growth in sales, less cash, and gradually less capacity to buy additional inventory to fuel growth.

How Can You Finance Your Business?



- Determine cash and assets available to put into your business
- Research financing sources and their requirements
- Talk to a Nevada SBDC advisor

Determine total startup costs

- Refer back to the profitability tab exercise and costs worksheet

Determine cash and assets available to put into the business

- How much cash can each owner can put into the business?
- Are any of the owners putting valuable equipment, intellectual property, time/services (sweat-equity) into the business that will help lower the amount of money you need to raise to start the business?

Investigate potential financing sources & their requirements

- Potential sources include
 - Self-financing
 - Friends & family
 - Bank/lender
 - Angel Investor (non-friend, non-family)
 - Alternative sources (BP competitions, crowdfunding, grants, leasing, Nigerian princes)
- Determine the requirements of each source

Talk to a Nevada SBDC Counselor

Question: What sources are you planning to get your startup funding from (yourself, friends & family, banks/lenders, investors)?

Thanks!

Any questions?

NevadaSBDC.org
800-240-7094



Jake
Carrico



Not Jake
Carrico