Starting a Business in Massachusetts



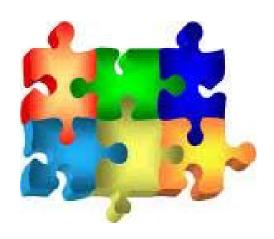






Agenda

- MSBDC Introduction
- Self Analysis
- Business Analysis
- Feasibility
- Financing
- Business Planning





MSBDC

- Free Business Advisory Services
 - Business & Strategic Planning
 - Marketing & Operations
 - Financing & Loan Assistance
- Mass Export Center
 - International Trade & Exporting
- Government Procurement & Contracting



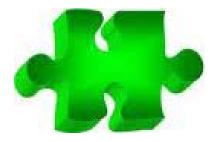


- Why do I want to start my own business?
 - Challenge
 - Comfort
 - Unique product or service
 - Social
 - Passion
 - Change in lifestyle
 - Be your own boss





- What are my personal skills and interests?
 - Technical / design
 - Managerial / leadership
 - Marketing / sales
 - Financial / accounting





- What are my personal characteristics?
 - Am I a leader?
 - Do I like to make my own decisions?
 - Do I enjoy competition?
 - Do I have willpower and self-discipline?
 - Do I plan ahead?
 - Do I like to work with people?
 - Do I get along well with others?
 - Can I handle rejection?





- What is my physical and emotional level of tolerance?
 - Am I willing to work 12 16 hours a day and possibly Saturdays and Sundays, too?
 - Do I have the physical strength I need?
 - Do I have the emotional strength I need?





- Will my family situation allow the strain of a business start-up?
 - Children
 - Parents
 - Spouse
 - Health care
 - Time





- Do I have the financial strength?
 - Savings
 - Secondary source of income
 - Equity investment
 - Start-up funds
 - Cash flow
 - Personal budget





- What experience(s) do I have that will help me succeed?
 - Past work experience
 - Academic record
 - Volunteer activities
 - Training





- What skills do I need that I don't have?
 - Technical / design
 - Managerial / leadership
 - Marketing / sales
 - Financial / accounting
- What skills will I have to hire?





- What do I need to do to make my business official?
 - Business structure
 - Sole proprietorship
 - Partnership
 - Corporation
 - LLC, LLP



- What do I need to do to make my business official?
 - Name
 - Company name
 - DBA
 - Domain name
 - Tax ID Numbers or EIN Numbers
 - IRS Form SS-4 (www.irs.gov)
 - MA Form TA-1 (www.dor.state.ma.us)
- Social Security Number



- Licenses and Permitting (<u>www.state.ma.us</u>)
 - Permitting
 - Occupancy
 - Board of Health
 - Transportation
 - Contracting
 - Childcare (<u>www.qualitychildcare.org</u>)
 - Licenses
 - Federal, State, Municipal
 - Division of Professional Licensure





- Do I need insurance?
 - Mandatory
 - Workmen's compensation
 - Automobile
 - Health Insurance options (10+employees)
 - Essential
 - Liability
 - Fire



• Product liability

- Do I need insurance?
 - Desirable
 - Health
 - Crime
 - Business Interruption
 - Key Person
 - Bonding



- How do I protect my idea?
 - Patents (<u>www.uspto.gov</u>)
 - Trademarks (<u>www.state.ma.us/sec/cor</u>)
 - Copyrights (<u>www.loc.gov/copyright</u>)





- Taxes? (www.irs.gov, <u>www.mass.gov</u> and <u>www.dor.state.ma.us</u>)
 - Self employment tax
 - Sales and use tax (meals tax)
 - Federal income tax
 - State income tax
 - Federal withholding (FICA)
 - Federal unemployment (FUTA)



- Where do I go for advice?
 - Accountant
 - Lawyer
 - Insurance agent
 - College / university
 - MSBDC
 - SCORE
 - SBA
 - Library, Internet, other





- To begin with:
 - Is there a real need for my product or service?
 - Is there a market for my product and service?
 - Is there room in the competitive environment for my company?
 - What is my company's value proposition?
 - Will I have the resources to build this company?



	Chance of Success		
3 Business Essentials	High	Medium	Low
Money (Resources)	Ample	Limited	None
Management (Experience)	Direct	Limited	None
Market (Potency)	Strong	Medium	No differentiation
Potency- state of economy and industry, customer demand, competition			



Starting Your Own Business:

Advantages

- Self-satisfaction
- Flexibility
- Control
- Only option

Disadvantages

- No guidelines
- Longer to build
- Limited initial return
- Uncertainty



Buying an Existing Business:

Advantages

- Shorter lead time
- Existing track record
- Customers in place
- Mentor support

Disadvantages

- Cost is usually higher
- Harder to structure
- Hidden problems



Buying a Franchise:

Advantages

- Short start time
- Turn-key operation
- Proven systems
- Strength in numbers

Disadvantages

- Initial & ongoing costs
- Limited flexibility
- Franchisor dependence
- May be difficult to exit
- Market saturation



Financing

- Self-funding
 - Savings, credit cards, home equity, and other resources
 - Full-time or part-time job
 - Friends and family
- Debt
 - Banks and alternative lenders
 - SBA and loan guarantees
 - Credit history
- Equity
 - Friends and family
 - Venture capital or angel funding
- Internal cash flow from the business





Financing – Lender's Perspective

- Capital (What are the owners' contributions?)
- Collateral (What assets can be pledged to secure loan?)
- Cash Flow (Can the business repay the loans?)
- Credit History (Both personal and prior business)
- **Character** (What are the owners' backgrounds & experience?)
- Conditions (What are the general & specific economic, regulatory, environmental and competitive conditions?)



Financing – Credit Score

- Importance of good "Credit Score"
 - Currently need to be above _____!
- How to improve and keep a good "Credit Score"
 - Managing revolving accounts
 - Payments on time
 - Checking accuracy of reports





- Why does every business need a business plan?
 - "If you fail to plan ... you are planning to fail"
 - Allows the entrepreneur to fully examine market, competition and various operating alternatives
 - Allows the entrepreneur to plan for "what ifs"
 - Gives entrepreneur a "road map" to monitor success





- The classic business plan includes:
 - Executive summary and mission statement
 - Product or service
 - Market profile and sales plan
 - Competitive profile
 - Operations profile
 - Location and facilities
 - Management and ownership
 - Personnel
 - Financial information and schedules



- The Executive Summary:
 - Includes a statement or paragraph on each element of the business plan
 - Will include the mission statement
 - It will also detail any requested financial assistance including: amount, rate and repayment schedule



- Product or Service:
 - What are your company's products and/or services?
 - Include a detailed description, particularly if new or unusual
 - What makes them unique?
 - How will they change over time?
 - What could substitute for your product or service?



- Market Profile and Sales Plan:
 - Is there a real need for the product or service?
 - How do you know?
 - What are the statistics relating to the target market?
 - What is the potential size of the market?
 - How much will you be able to attain?



- Market Profile and Sales Plan (Continued):
 - Is the market growing or declining?
 - Describe the target customer: demographics and buying habits
 - Who will your customers be in the future?
 - What are your marketing and sales plans?
 - How will you attract your customers?
 - How will you retain your customers?



- Competitive Profile:
 - Who are your direct and indirect competitors?
 - Who will they be in the future?
 - What are their strengths and weaknesses?
 - How will you exploit them?
 - What are the sales trends for the competition?
 - How will your pricing, quality, service and value compare?



- Operations Profile:
 - Production
 - Distribution
 - Customer service
 - Office systems: administration & financial
 - Human resources
 - Regulatory compliance



- Location and Facilities:
 - How much space do you need and where?
 - Why is the site you've selected appropriate?
 - Are there any zoning concerns?
 - Will you rent or buy?
 - What are the traffic and parking like?
 - What kind of equipment will you need?
 - What kind of renovations will you need?
 - Are there competitors in the area?



- Management and Ownership:
 - Who will own the company?
 - Who will manage the company?
 - What relevant experience do the owners and managers have?
 - What past accomplishments would indicate probable success?
 - Are there outside resources available to management?



- Personnel:
 - Who will you need to hire (experience, skill)?
 - What will you need to pay? Any benefits?
 - What is the local labor pool like?
 - How will you attract employees?
 - Will you need to use outside services?
 - Who will your advisors be?
 - Accountant
 - Lawyer
 - Insurance broker
 - Board of Advisors





- Financial Information:
 - What will your investment in the company be?
 - What are your financing needs and why?
 - What will your revenues be and why?
 - What will your expenses be and why?
 - Will your revenues grow and why?
 - Will your financing needs change and why?



- Financial Schedules:
 - Monthly P & L (Income Statement) for first twelve months and annually for years 2 and 3
 - Monthly Cash Flow for first twelve months and annually for years 2 and 3
 - Opening day balance sheet
 - Assumptions by line for every schedule
 - Start-up expenses
 - Lists of capital equipment purchases and renovations



Business Launch

• Customers: Clearly identified

• Capital: Enough to get you through to

breakeven

• Systems: Financial, production, sales, etc.

Support: Advisors, friends, professionals



In closing

- A start up is challenging!
 - Focus on research and planning
 - Break the business plan down into sections
 - Take it one task at a time to stay motivated
 - Take breaks and review what you have researched and completed
 - Most importantly ask and seek advice!





Helpful Internet Sites

- www.sba.gov
- www.state.ma.us/mobd
- www.irs.gov
- www.mass.gov
- www.dor.state.ma.us
- www.epodunk.com
- www.score.org
- www.msbdc.org/semass



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