



SMALL BUSINESS 101

OPEN





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Starting and Managing a Small Business 101

A lot of people toy around with the idea of starting their own small business, but figuring out what steps to take is one of the biggest hurdles. The fact is, most small businesses start out with a simple idea. Whether or not that idea actually takes flight, however, all comes down to one word — ACTION!

Don't get us wrong, starting and running a small business doesn't come without its set of challenges. We know because [we did it!](#) But if you have the drive, determination and the right attitude, this handy guide can get you on the right path. Think of it as boot camp for how to start a small business 101.

Like most things in life, we believe that entrepreneurship can be learned, you just have to be willing to put one foot in front of the other. After reading *How to Start a Small Business 101*, you'll be equipped with the essential tools and resources you need to succeed at planning, raising capital, and executing crucial day-to-day business operations.

So what are you waiting for? You're minutes away from planning, launching, and managing a successful small business. Just click on a sections to the left to choose a topic (or scroll through the whole page) and begin your journey of starting a small business today!

01

GETTING INSPIRED

How to Start a Small Business 101



Setting up and running a small business is awesome, especially if it's your first business. Is it tough at times? Yes. But if you don't build your dreams, who will? In 2010, according to the [U.S. Census Bureau](#), there were 27.9 million small businesses nationwide. This number has trended upwards over the last decade, accounting for 64% of net new jobs created between 1993 and 2011. In a world that appears to be dominated by today's retail giants, it's easy to overlook the huge impact that starting a small businesses can have on our U.S. economy. However, these numbers illustrate something that we strongly believe at [ShopKeep](#) – that the brave folks who open new businesses are the backbone of the nation's economy and the lifeblood of our local communities.

At A Glance

- Small businesses form the backbone of the national economy and are the lifeblood of our local communities, contributing to over half of U.S. annual sales and 66% of all net new jobs since the 1970s.
- Starting a small business means joining a community that reflects the full diversity of our national makeup.
- Becoming a small business owner is, however, far from easy. It often involves a substantial investment of time and money. It is, as a result, not a path for the risk averse.
- By embracing a data-led, lean approach, new small business owners can minimize that risk and make smart decisions from the start.



Is Starting a Small Business for Me?

In short – yes. The small business community is a diverse and eclectic collection of mom-and-pops, multi-generational businesses, one-stop shops, trendy boutiques, food trucks, lemonade stands, wine stores, bicycle stores masquerading as bars, and more. These entrepreneurs come from every walk of life and their motivations for starting small businesses are as unique as the businesses themselves. If you're reading this, chances are you're looking to join their ranks, and we say: "Go for it!"

Becoming a small business owner is one of the most rewarding and inspiring journeys a human being can take. It provides you with a chance to be your own boss, take control of your financial destiny, and become a meaningful contributor to your local economy and community. There will always be a reason not to take the plunge. But if there is one rule of small business — and life — is that nothing will happen if you don't make it happen.

SEE ALSO: [5 Terrible Reasons You're Not Starting a Small Business](#)

Really Though, Is Starting a Small Business for Me?

Some people lean towards starting a small business because they seek freedom, others to fulfill their passions. Some entrepreneurs, however, are driven by a desire to build a legacy, one that they can hand down to generations to come. Whatever your reasons are for reaching for the stars and aiming for the moon, before you start, remember, there is a dark side.

Often times those same freedom-seeking, passion-driven individuals that started their journey filled with courage and optimism, become some of the most time-pressed and financially-stressed people out there. The flip side

of getting to create your own wealth is that you are solely responsible for creating your own wealth. That's right, it all comes down to Y-O-U.

At times, while you are starting a small business, it will seem like there is a brick wall in front of you, made up of all the different problems that will occupy your time and mind: a lack of funds, permits, regulations, tax worries, inventory issues, or a lack of customers. Concepts like "free time" and "the weekend" will take on a very different meaning. While the emotional ups and downs of cash flow management and customer service, may drain your will to live.

SEE ALSO: [How To Fight The Dark Side of Running Your Business With Point of Sale](#)

“ The flip side of getting to create your own wealth is that you are solely responsible for creating your own wealth. ”

Taking the First Step Towards Starting a Small Business

There is a profound difference between a good idea and a thriving business, but as the saying goes: "A journey of a thousand miles begins with a single step." At a certain point, turning your dreams into reality is as basic as putting a plan in place and, step by step, making it happen. The good news

is that there has never been a better time for starting and learning how to run a small business.

One of the most important and often overlooked first steps when starting a small business is preparing a business plan. Many entrepreneurs who hear this might panic. And while [the value of writing a business plan](#) is often debated, those who complete them are nearly twice as likely to successfully grow their businesses or obtain capital compared to those who don't. More on this in part three of How to Start a Small Business 101, Components of a Business Plan.

SEE ALSO: [The 7 Best Free Resources for Planning Your New Business](#)

The Bottom Line

Starting your own small business can be an incredibly rewarding experience both personally and financially. However, like anything worthwhile, it takes a great deal of time and effort to be successful at it. Your results will depend on how much you are willing to apply yourself. The lessons in How to Start a Small Business 101 are designed to give you a leg up on the competition so you can hit the ground running. Now all you've got to do is bookmark this page, free up some time, grab a cup of coffee, and start making your way through each section.

02

BUSINESS PLAN

What is a Business Plan

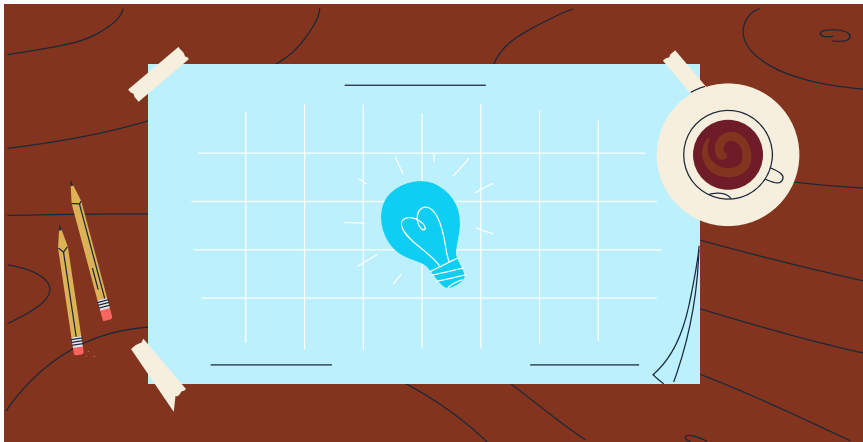


At some point in the process of starting a small business, it's pretty much guaranteed that you will hear the following [statistics](#) (or variations thereof): 25% of new small businesses close their doors within the first year and [60% are gone within three years](#). The exact numbers here may vary, but the message is all the same: be afraid, be very afraid!

The good news is this: You are not a statistic. Think about this — if it was reported that small business owners over the age of 50 were more likely to succeed, would you wait until you were 50 to start a small business? Not likely. You would start when you felt ready. And that's the point — only YOU can know when it's time to take the plunge. Likewise, only you can make the intelligent decisions that ultimately mean the difference between success and failure when it comes to launching your business.

At A Glance

- The failure rate of new small businesses is soberingly high, with 60% closing their doors within three years.
- Compiling a business plan forces entrepreneurs to really confront the nitty-gritty of their business idea, such as permits and regulations, operating costs, and marketing budgets. The process is therefore as important as the result.
- There's more than one way to start a business enterprise, with many choosing to take over an existing business or buy into a franchise.



The very fact that you are reading this, means you are doing your homework, which puts you way ahead of the curve. As mentioned earlier, thorough research and a well-thought-out [business plan](#) will double your chances of success, while minimizing your risk of failure.

SEE ALSO: [The Small Business Owner's Goal Setting Guide](#)

Small Business Planning 101: It's a Process Not a Goal

The first thing to understand about a business plan and financial projections is that the process of compiling them is often more important than the final product. Sure, the actual sheets of paper, filled with spreadsheets and graphs with pretty arrows pointing up and to the right are great — and can be very important in helping you to secure funding — however, when it comes down to the brass tacks of starting a successful business, [it's the process, not the paper](#), that counts.

For example, at a certain point, you will be asked to project how much cash you'll spend in your fifth year of business. You'll think, "Are you kidding? I haven't even opened my doors yet and you want me to describe what my expenses and revenue will be like in five years?" Well, the quick answer is yes. Nobody ever said that starting a small business would be an easy feat.

Now nobody reasonably expects you to actually hit that exact number in five years time, but the point here is accountability. A really great [small business plan](#) forces you to think through your goals, associate a dollar value with each, and articulate clearly how you will make them a reality. By declaring your projected revenue in month seven or your expenses in year five, you are giving yourself a benchmark for success.

That's why it's also important to include a mission statement in your business plan. This is your chance to clearly state exactly who you are, the kind of business you want to forge, and how you are going to make it happen. A good mission statement is clear, with memorable and concise sentences that boils down the priorities of your new business.

For example, at ShopKeep, our mission is simple:

“Empower independent business owners to dream big and fight smart.”

Now you give it a try!

Just in case you're still having trouble, here's what that might look like for an aspiring bakery owner who is starting their first small business:

Blue Sheep Bakery brings quality and integrity to the bakery business by baking gluten-free treats that taste as good as they are for you.

What Goes Into a Small Business Plan?

Think of your business plan as a roadmap that outlines how you plan to start and grow your small business.

You've probably considered what goods and services you'll be offering, but have you researched the cost of sourcing your raw materials? How about the cost of turning those raw materials into your finished product? Do you

understand how much you'll need to charge for your products/services in order to cover the expenses of renting a space, paying employees, leasing equipment, and paying for permits and regulations? Moreover, have you considered if the answers to these questions will provide the kind of [operating margin](#) you'll need to pay yourself a salary?

Once you've considered the questions in the previous paragraph, start thinking about how your products/services stack up against the local competition. Because unless you are offering something ground-breaking and innovative, chances are that your potential customers are currently having their needs met by another business. That means it's going to be your job to convince them that Blue Sheep Bakery is a better option than Bob's Bake Shop. If your first thought was to compete on price, sorry to break it to you but, that's not going to cut it. There is more to starting a successful small business than matching the price to the guy down the street.

SEE ALSO: [The Do's and Don'ts of Retail Pricing: How POS Software Can Help](#)

Trying to compete on price is rarely an effective long-term strategy, so it's important to consider how you will differentiate your offering. Will this be with amazing customer service? Or maybe with superior product quality? Regardless of what you choose, how will you allocate your budget to make it possible? How will you market your small business? How will you get customers through the door?

Those are a lot of questions we just threw at you. Essentially, your plan has to answer one critical question: How will you achieve the kind of sales volume required to keep the doors open and set your business up for growth?

SEE ALSO: [How to Write a Business Plan on a Cocktail Napkin](#)

Starting a Small Business: You've Got Options

For many aspiring small business owners, the risks associated with starting a small business from scratch leads them to explore other options. Broadly speaking, you can break down the entry points for small, local business ownership into three categories:

- Start your own business
- Buy an existing business
- Buy into a franchise

We've been focused on the first category so far, but there is also an allure to buying an existing business. These enterprises will often come with brand awareness, a customer base, trained employees, an established supply chain, and most importantly (we hope), demonstrated profitability. As a result, countless startup risks can be diminished by taking this route. That is only true, however, if you make sure to carry out thorough due diligence on the existing business.

Due diligence is the process of going through the current owner's books with a fine-tooth comb to verify inventory information, sales data, average ticket price, and every other aspect of the business. Doing all this yourself is difficult and time-consuming, so you'll probably want to involve accountants and lawyers to ensure that you cross all the t's and dot all the i's. A big red flag to watch out for here is how intertwined the current owner's personal expenses are with the business accounts — this can obscure the genuine flow of cash in and cash out of the business. The [purchase price of an existing business](#) is often calculated as three to five times the net annual revenue, so you'll want to take that figure into account before you make an offer.

With the third category, [franchise businesses](#), the risk of getting started is potentially the lowest of all when it comes to starting a small business, as you are often buying into a clearly established business model. You will also often benefit from the initial support of the franchisor, including advice around site selection, training and orientation, employee hiring, and product mix coordination. This support and assurance, however, comes at a premium. On top of the normal startup costs (space, equipment, etc...), you'll have to pay a franchise fee to the owner, which is often tens of thousands of dollars, as well as a percentage of your revenues on an ongoing basis.

At the end of the day, while starting a small business from scratch may be your riskiest route, in many cases it also turns out to be your most affordable. It also allows you the complete freedom to create your own vision, which is probably the biggest appeal of starting a small business in the first place!

The Bottom Line

Having a plan of action is key to learning how to start and run a successful small business. Whether you are looking for funding from a bank or angel investor, or are lucky enough to completely fund your venture on your own, an articulate and well-thought-out business plan will help you define what your business stands for and what it intends to become over time. As the age-old saying goes: "A goal without a plan is just a wish." Don't put your business idea in the hands of fate. Plan thoroughly, give yourself some benchmarks for success and be prepared to innovate as you go.

03

BUSINESS STRUCTURE

Choosing Your Business 101: Structure



At a time when you're focused on getting in front of customers as quickly and as often as possible, it can be hard to think about official requirements like registering a business name or deciding on a legal structure. Still, now that you have decided to start a small business or buy an existing one, one of the first critical steps is determining the business entity that's right for you.

Types of Business Structures

There are a variety of structures to choose from when starting a small business. However, the most common business structures include sole proprietorship, partnership, corporation, and S corporation. The structure you choose determines which income tax return form you have to file, which, you guessed it, dictates your legal and financial responsibilities



as a small business owner. Because of this, you'll want to make sure you understand the options that are available to you and weigh the pros and cons before [incorporating your business](#).

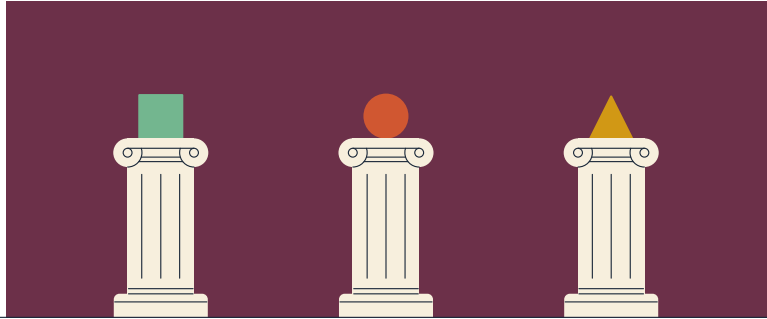
Why You Should Choose the Right Business Structure Early On

Commercial law exists for one simple reason: money and trust have a long and storied history of mixing like oil and water. Throughout the millennia-long history of commerce, aspiring businessmen and women have been lied to, cheated, scammed, cajoled, bullied, and otherwise disconnected from every single dime they had by unscrupulous suppliers, greedy investors, and dishonest business partners.

There's a lot of blood, sweat, tears, and cash that goes into starting and running your own small business. One of the primary benefits of incorporating is that it limits the liability and risk of any losses your business may accumulate along the way. In other words, when you incorporate a business, you are typically not personally responsible for business debts. So if life happens and something goes wrong, as long as you and your business are not legally considered the same, your house, your car, and your goldfish are all safe.

How To Choose The Right Business Structure

When starting your small business, the type of business structure you choose will depend on three primary factors: liability, taxation, and record-keeping. Most small business owners begin their commercial life as a sole proprietor because it's the easiest way to get started. In fact, if you're in business and you haven't taken any action to incorporate, you are most



likely deemed a sole proprietor by default. You are entitled to all the profits of your business but also responsible for all its debts, losses, and liabilities.

There are, therefore, a lot of benefits to researching [alternatives](#) to this setup, which include Limited Liability Companies, Partnerships, Corporations, or even a Cooperative.

By setting up a separate legal entity, you limit the financial fallout from a failed business, you shield yourself from legal risks (such as someone injuring themselves in your store), and you potentially put yourself in a more advantageous tax situation. Equally, if you are working with partners, ensuring you are set up with the appropriate partnership will give all parties reassurance about their legal standing, obligations to, and expectations from the business in question.

On a more mundane, but equally important note, the costs of retroactively fixing errors in a name choice or a business structure can be enormous, both in your time and in real-terms. It is therefore important that you do your research and establish the correct legal structure for your business early on. Still not sure what steps you need to take to incorporate your business? Visit [BizFilings.com](https://bizfilings.com) to learn more about the first five steps you need to take when incorporating your business.

SEE ALSO: [Pros and Cons of Incorporating Your Small Business](#)

The Bottom Line

Make sure to carefully consider the legal structure that suits your business and take the necessary steps to get the right paperwork in place early on.

Failure to set up the correct business structure can have serious repercussions in the future, especially if things don't quite work out the way you envisioned.

04

NAMING YOUR BUSINESS

Choosing a Business Name 101



The world of small business has traditionally been populated by some pretty respectable, ‘say-what-you-see’ conventions when it comes to business name choices. Up until very recently, if a guy called Tony wanted to open a hardware store, he would probably go out on a limb and name his new business Tony’s Hardware.

From a legal perspective, this lack of uniqueness doesn’t need to be a major concern. According to the [rules governing business incorporation](#) in most states, if you find yourself opening with the exact same name as another business, you can keep it as long as “your business and the existing business offer different goods/services or are located in different regions.”

You’ll want to head to your local state filing office and make sure you’re able to clear this hurdle. But for most, this is not the defining reason to seek out a unique name when starting a small business.



As you can imagine, this collective overflow of dare we say, lack of imagination, has resulted in a surplus of duplicate business names across the country. This wasn't necessarily an issue until the internet came along. The introduction of the World Wide Web has left small business owners from all over the world competing for the same digital real estate: www.tonyshardware.com, facebook.com/tonyshardware, [@tonyshardware](https://twitter.com/tonyshardware), and more.

There's a reason why some of the biggest players online have names that are essentially gobbledygook: Zappos, Skype, Zynga. While there's certainly some [psychological naming principles](#) that often come into play, at the most basic level, it's simply easier to find this space online and then strive to own the brand name in the minds of consumers. How important this will be to your small business will depend on a number of variables, including your intended size, location, and your desire to exploit ecommerce as well as a local brick-and-mortar business.

Choosing The Perfect Business Name

When starting your small business, the easiest way to go about [choosing a business name](#) is to approach the task the same way you approach building new relationships. Did we lose you for a second? Here's what we mean. It takes just one-tenth of a second for us to judge someone based on a [first impression](#). There are endless relationships that instantly blossom or never get off the ground based off of this one simple fact. Most of us, even if it is on a subconscious level, understand this. Which is why when we meet someone that we are trying to impress, we make an attempt to adjust our appearance, body language, even the way we talk, to ensure we are putting our best foot forward.

Since your business name is often the first thing potential customers will see or hear, think of it as one of your key tools for leaving a lasting

impression. The right name, like a firm handshake, can play a role in your brand's perception. So make sure it's strong, catchy, and unique, but most importantly sends the right message about your business.

Securing Your Business Name 101

So you stayed up all night, thought long and hard, and decided you want to name your designer sunglass hut The Sunny Rabbit. We don't blame you, it's a pretty cool name. Most would tell you that the next and most logical next step is to register your business as a DBA or at the state level. But, we're here to tell you that's wrong! Here's why. We just talked about how the right business name can make or break your brand identity and in today's digitally connected world, securing your brand identity across the web is equally as important.

Even if a website and social media aren't part of your immediate plans for launching a business, as a savvy 21st century entrepreneur, you want to make sure that you have complete ownership of your brand identity before paying any fees required to register your business. Using the example of The Sunny Rabbit, at the very least, you would want to run an online search to ensure that TheSunnyRabbit.com is available. Assuming you want to join the other [50 million small businesses](#) marketing to customers on Facebook, you'll also want to make sure that Facebook.com/TheSunnyRabbit is also available.

The good news? There are a ton of free tools out there help you simplify and minimize the research required to secure your online identity. Among them is [Namechk](#), a free username and domain search tool that helps you discover the availability of your business name across hundreds of social networks and domain extensions, all at once. Once you run a name search and confirm that it's available for use both off and online, take the time secure your unique name both legally and on the web.

Registering Your Business Name 101

If you want to operate your business under anything other than your own personal name, you'll need to register your chosen 'fictitious' name with the appropriate county or state authority, otherwise known as registering your "Doing Business As" (DBA) name. The correct filing authority varies state-to-state. The Small Business Administration (SBA) provides a [helpful tool](#) to help you find the relevant authority for your state.

This legal name is your first step in separating you and your business as two distinct entities. You will use your DBA name on all legal paperwork and government forms, such as applications for employer tax IDs, licenses, and permits. It is significantly harder to go back and have this applied retroactively, so it's worth getting it right from the start.

A DBA is needed in the following situations:

Sole Proprietors or Partnerships: If you are starting a small business under anything other than your real name, you'll need to register a DBA so that you can do business as another name.

Existing Corporations or LLCs: If your business is already set up and you want to do business under a name other than your existing **corporation** or **LLC** name, you will need to register a DBA.

Keep in mind that if you filed to become a corporation or LLC, then you can skip this step altogether. When you form an LLC or corporation for your business, your business name is automatically registered with the state. However, as mentioned before, if you legally registered your name as Bob's Bike Shop and would like to conduct business using any variation of that name such as BobsBikeShop.com or Bob's Bikes, you will need a DBA.



When To Trademark Your Business Name

When registering your business name you should also consider whether or not you have plans to expand your local business nationally or online in the future. Registering your business with the state does not offer brand protection beyond the state it is registered in. For example: If Bob's Bike Shop is registered in New York, no other business will be able to use that name in that state. However, someone in Idaho can still register their business as Bob's Bike Shop. If you have aspirations that look beyond Main Street, USA and would like the option to expand nationally or on the web, you should consider [trademarking your business](#). When you trademark your business name, it makes it a lot easier to recover property that infringes upon your brand. For example: If Bob's Bike Shop in Ohio purchased the domain [www.BobsBikeShop.com](#) but Bob's Bike Shop in New

York trademarked that name, legally Bob's Bike Shop in New York has the right to file a [domain name dispute](#) to get the domain name back from its current owner.

If you are going to apply for a trademark, make sure to conduct a comprehensive search, like the one mentioned in 'Securing Your Business Name' to ensure no one is already using your proposed name in a similar capacity. The [United States Patent and Trademark Office](#) also provide a simple search tool that will quickly let you know if you're potentially infringing on someone else's turf from a legal point of view.

SEE ALSO: [Would a Rose By Any Other Name Smell As Sweet?](#)

The Bottom Line

Make sure to research your name both from a marketing and legal standpoint and then register it with the appropriate authorities.

Trademarking is a lot less expensive than most people think (although enforcement is another thing entirely), but make sure to do your research! If someone else is already using your proposed name, your application will be rejected right away and you will not only lose your application fee, but the time invested would have been in vain. And as you know, time equals money.

Note: Please be careful when choosing your domain, most people have forgotten the Spanish Tourist Board's ill-advised domain choice 'choosespain.com'. Talk about sending the wrong message.

05

FUNDING YOUR BUSINESS

Business Funding and Accounting Basics



It is absolutely impossible to succeed in small business over any significant period of time without getting the basics right. And the fundamentals of small business are dollars and cents.

Every single aspect of your business can be understood in terms of cash-in and cash-out. Like Keanu Reeves in *The Matrix*, a financially-savvy small business owner will look around their store and see not customers, employees, and equipment, but dollars and cents stacking up in the plus and minus columns.

Funding Your Best Foot Forward in Small Business

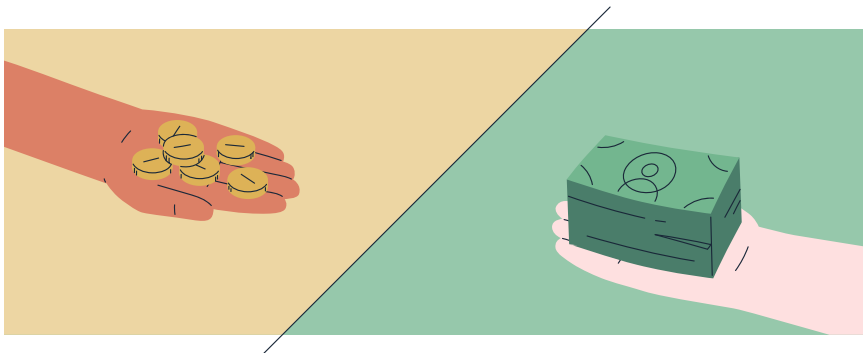
Many small business owners start on a shoestring budget, intertwining their personal and business finances, supporting the business with their

personal credit cards, accepting payments into their personal checking account, and even submitting tax returns that mix up personal and business finances. While this is common, it can create tax headaches, make bookkeeping more time consuming, and, most importantly, can also interfere with the proper evaluation of your business.

Top Tip: Set up a separate business bank account from day one. That way all money coming in and out of your business will be clearly accounted for. If you don't know your cash flow, you'll never be able to really understand how your business is doing.

When you are looking for small business funding options, be it from the local bank, an angel investor, or even a family member, the first thing you will be asked to present after your business plan will be any existing financial records. Make sure you are putting your best foot forward by keeping meticulous records, with your business finances completely separate from your personal finances.

SEE ALSO: [The Secret to Raising Capital for Your Small Business: It's About People, Not Money](#)



Debt vs. Equity Financing

There are essentially two types of funding available to you when starting a small business: [equity or debt](#).

Equity financing is money raised in exchange for a share of ownership in your business. The core benefit of this type of funding is the lack of debt. You won't have to worry about those pesky monthly repayments. The downside? You are giving up total ownership of your business, you are giving up the rights to a portion of the ongoing profits of the business, and you are potentially giving up some control of how your business is run (Though this is not always the case).

Top Tip: When it comes to money management: cash is king. So collect what you're owed quickly and only pay your bills when they're due. Remember, a sale doesn't really count until you collect the cash!

Debt Financing

Debt financing involves borrowing capital that must then be paid back over a set period of time, most commonly with interest. Typically the core benefit of this arrangement is that you, the business owner, maintains complete control over your business. Your only ongoing obligation is to repay the loan with interest. The downside? Fail to keep up those repayments and the loan — often secured against your assets, savings or property — can put you in very dangerous financial waters.

SEE ALSO: [The 3 Most Important Words in Small Business: Cash Flow](#)



While the recession brought with it a well-documented squeeze on small business lending from banks, there are a number of [alternative funding sources](#) available to those who are starting or expanding their small business. Loans and/or equity investments can be sourced from multiple sources, including credit unions, savings and loans, and private financial companies. Family members, friends, and colleagues are also potential avenues to explore.

SBA provides support and tools to aspiring small business owners and in particular to [minority-owned](#), [women-owned](#), [disadvantaged](#), and [veteran-owned](#) businesses, including a [government-backed financing](#) scheme to qualified participants. Local and state authorities also have a range of programs designed to encourage the growth of your small business. Make sure to research your local authority's website.

SEE ALSO: [Financial Help Minority Business Owners Need to Know About](#)

Expert Tip: Banks are often reluctant to provide long-term small business funding. They prefer short-term loans that are associated with physical assets, which can then serve as collateral. So instead of just asking for a generic loan, maybe consider raising capital for specific equipment that will kickstart your new business, like an espresso machine or delivery vehicle.

Accounting 101: The Difference Between a Bookkeeper and an Accountant

They say nobody ever started a small business out of a love for numbers, but if you really want to stay the course, you're going to want to fall in love

fast. It's only by keeping detailed accounts and tracking your business' numbers over time, (net sales, cost of goods sold, and average transaction size) that you'll start to gather the actionable insights you need to make intelligent business decisions.

What's more, your books are also how the IRS will evaluate your business, so it's not just good practice, it's also a legal requirement to track certain basics about your business. These include revenues and expenses, cash expenditures, inventory, accounts receivable and payable, and employees.

If you're starting a small business for the first time, your new best friends in life should be your bookkeeper and your accountant. The former should be engaged for a few hours every week (especially at the start of your business) to compile your books and ensure your records are maintained to the required standard, while the latter will help review your tax situation and prepare financial statements. Both can also be used as invaluable sources of actionable intelligence about ways to reduce costs, increase margins, and generally streamline your finances. You'll be able to spend all that time you save doing what you love and thinking strategically about your business.

If this all sounds too complex for you, there are alternatives. Thanks to advances in technology, there are tools available that help simplify bookkeeping and accounting so that you don't have to hire a full-time accountant to take care of the basics. We're big believers that a technology-led approach to running a small business will leave you with more actionable insights, more time to focus on your day-to-day operations, and ultimately, more money. For details on the cloud-based technologies that more and more businesses are relying on, make sure to check out our [cloud-based business guide](#).



TO DIY or Not DIY Small Business Bookkeeping and Accounting, That Is The Question

Accurate bookkeeping and accounting is critical to small business success. Thanks to user-friendly software like [Quickbooks](#), understanding how each sale fits into the bigger picture has become a lot easier, saving business owners both time and money.

However, another critical component to small business success is being self aware. With a variety of tools at your fingertips, tracking basic accounting can be fairly simple. Still, in order to be strategic about how you spend your money, properly leveraging these tools will still require a little bit of legwork. What used to take you eight hours might now only take one hour. But if you're not willing or able to run through your financial tasks on a regular basis, [bringing in a bookkeeper or accountant](#) might be your best option.

SEE ALSO: [5 Key Things You'll Track Better By Integrating POS and Accounting Software](#)



Death and Taxes

As the old saying goes, the only two inevitable things in life are death and taxes. Almost all small businesses in the United States are subject to some form of corporate income or gross receipts tax on a state level — that is, unless you happen to be a lucky inhabitant of the great states of Wyoming, Nevada or South Dakota. Actually, even these states will require you to pay state workers' compensation insurance and unemployment insurance taxes. Oh, and of course every small business in the country is subject to some form of federal taxation.

Make sure to utilize the tax-specific resources provided by the [SBA](#) and the [IRS](#) to fully research your federal and state tax obligations. These include, but are not always limited to: corporate income tax, employer tax and excise taxes. For most small businesses, the right first step is applying for an Employee Identification Number, which you can do using this [IRS EIN online application](#). Depending on your state, you might also need to register for a sales tax license.

SEE ALSO: [How To Pay Yourself as a Small Business Owner](#)

Insider Tip: For those starting a small business, you may deduct up to \$5,000 in expenses from your first year of business, anything above that amount must be deducted in equal amounts over the next 15 years. [Learn more.](#)

The Bottom Line

Starting out with a solid business plan, the right business structure, and well-organized finances will put you in the best position to secure the funding that is often crucial in starting a small business.

Research your tax obligations thoroughly and consult with a bookkeeper and a tax accountant to ensure you are abiding the rules and gaining the financial insights you need to maximize profitability.

[View Your To Do List](#)

06

BUSINESS PERMITS

Putting Your Idea into Drive: How to Obtain Your Business Permit or License



For many new small business owners, the additional expense and bureaucratic hoopla involved in obtaining the correct paperwork often leaves them dragging their heels. This attitude, however, can result in stiff financial penalties, or worse, having your permission to do business revoked. Before we jump into the why and how of obtaining your business permit or license, it's important for you to understand the difference.

Business License 101

A business license gives you permission to run a business within a particular territory. It is important to note that not all local governments require you to obtain business licenses, while others only require them for

specific business types such as bars or restaurants. To determine whether or not your state or business type requires you to obtain a license visit [SBA.gov](#) for [state-specific license and permit information](#).

Business Permits 101

When starting a small business, it's extremely important to make sure you acquire all necessary and relevant business permits. Business permits are legal documents that serve as proof of compliance with city or state laws regulating the appearance, safety, and sale of products in your business.

For example: Just because you have a license authorizing the sale of liquor, wine, and beer for on-premise consumption in your pub, doesn't mean you have permission to manufacture beer in the basement. This likely requires an additional permit or license.

Most businesses must obtain a variety of business licenses, permits, and registrations before opening their doors to the public. As a small business owner, it is your responsibility to ensure that you are abiding all the laws and regulations applicable in your state and to your particular industry. You also have to research and apply for all relevant permits and licenses that apply to your business type and location. Remember, it is impossible to plead ignorance as a defense. It's up to you to educate yourself. When in doubt leave it to the professionals. CT Corporation offers [custom license packages](#) that simplify the process for business owners. Click [here](#) for an example of what that looks like.

SEE ALSO: [Are You Really Ready to Open an Ice Cream Shop?](#)



Do I really need a Business Permit?

Let's say you're a Brooklyn-based hipster and you want to follow your lifelong dream of opening your very own artisanal, organic lemonade stand. You're planning on stationing your retro lemonade stand along a busy road in Williamsburg, Brooklyn. And maybe you want to hire a couple of college kids to collect the money and serve your customers, (probably while wearing some painfully cool 1970s punk band t-shirts). You're only thinking about it semi-seriously. It might be something you're going to do when you're not focusing on your real career as an aspiring DJ.

When your business is in this embryonic stage, it's very easy to kid yourself that you don't really need to bother with permits and regulations. The fact is, no matter how hip you are, you do.

Do you have a business license? Do you have a permit to open a food service establishment issued by the local health department? Are you applying for a permit to modify the building you wish to occupy? Do you have a health permit from the county health department? Do you have a signage permit? How about an alarm permit from your city or county fire or police departments? These are just a few of the questions you need to ask yourself.

Lemonade Freedom or Why Business Permits Ain't All Bad.

You might think the above example is silly. Most lemonade stands are run by kids and don't actually require serious business permits, right? Wrong!

You may not have heard of [Lemonade Freedom](#). It's an organization set up after a spate of children's lemonade stand closures by police who decided to take an absurdly heavy-handed approach to permit enforcement (you can read more about it in [Forbes](#)). Apparently the kids involved hadn't applied for the necessary paperwork to run their stands. In one example in Georgia, three kids saving for a trip to their local water park had their endeavor closed down because they lacked the business license, peddler's permit, and food handler's license. Crazy? Only mostly.

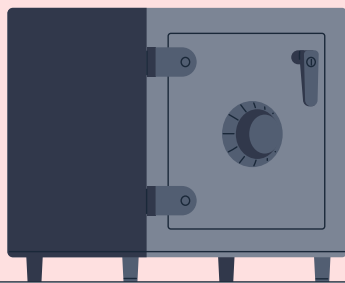
Though the above example is extreme, this is the kind of bureaucracy that can drive small businesses owners mad. It's worth remembering, however, that our system of [regulations and permits exists](#) for a reason. On behalf of the entire community, the licensing bodies verify a number of things before granting permits to operate:

- Is the business type approved by the local community?
- Is the business type approved in that location per zoning requirements?
- Is the business involved with the health and safety of the local community? For example, will it prepare and serve food or will it create waste materials which are difficult to dispose of?
- Is the owner a fit person to run that particular type of store?

Since the summer of 2013, first time visitors to New York City restaurants have been greeted by window signs boasting a large, capitalized A, B or C. These letters reflect the rating given to each restaurant by the New



York City Department of Health and Mental Hygiene (NYCDOHMH). Does the need for government oversight of this industry create an additional administrative and financial burden for the businesses in question? Yes it does. Does the rating system also inform consumers and encourage higher food safety standards across the board? Undoubtedly.



Protecting Your Small Business 101

Unfortunately, the requirements across the country and across different industries are as varied as the bodies enforcing them. The only way to guarantee that your licenses and permits are all squared away is to seek out regulating authorities on the county, state, and federal level, as well as consult with the relevant industry-specific bodies for your business type.

There are certain areas that are the responsibility of the federal government, such as firearms, fish, and wildlife. For more on these federal requirements, enforced by bodies such as the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA), you can explore the information [here](#) on the Small Business Administration (SBA) website.

The SBA also provides a helpful list of [state license offices](#), which will give you a lowdown on your local requirements. It is also a great starter tool that provides licensing information based on [zip code and business type](#). This is all crucial information to have access to when learning how to start a small business.

Finally, and perhaps most importantly, you should take some time to speak with small business owners in your local area and in your industry. There is no better resource than those who have been there and done that, before you.

The Bottom Line

Regardless of how frustrating, time-consuming and expensive the world of regulations and permits can become for small business owners, when it comes to starting a small business, it's better to be on the right side of the law.

You might be thinking your business aspirations are too 'early-stage' to merit investigating the permits required to run your small business. You'd be wrong. The costs and requirements of staying on the right side of the law should be factored into your initial business plan and ongoing projections. In the long run, this will save you time, money and heartache.

[View Your To Do List](#)

07

INSURANCE

Small Business Insurance



We've all had that moment, the one where you approach the car rental desk and are bombarded by a dozen of different types of insurance, taking your bill from reasonable to extreme. When it comes to selecting the appropriate small business insurance policies, the process can feel very similar.

Sure, you have car insurance for your company vehicle but do you have insurance for employees who are using their private vehicles for company use? You might have insurance on your building and inventory but have you insured the specific assets you used as collateral to secure your business loan?

When starting a small business, all of this can seem both time consuming and confusing. It can be difficult to know when to draw the line.



Avoiding Risky Business When Starting and Running Your Small Business

Chances are if you're starting a new small business, you're not afraid of a little risk. However, it's also highly likely that you have invested a large amount of money in this new endeavor. It is only prudent to take sensible steps to minimize the impact of unexpected events, like the untimely death of a business partner, a lawsuit from a customer or employee, or a freak accident of nature.

Unlike the vast majority of the permits and licenses discussed in the previous section, there is no legal requirement to take out most forms of insurance. That being said, stories of small businesses completely wiped out after Hurricanes Katrina and Sandy should provide a lesson about the need to insure your core assets.

SEE ALSO: [How Red Hook Winery Bounced Back On Their Feet After Hurricane Sandy](#)

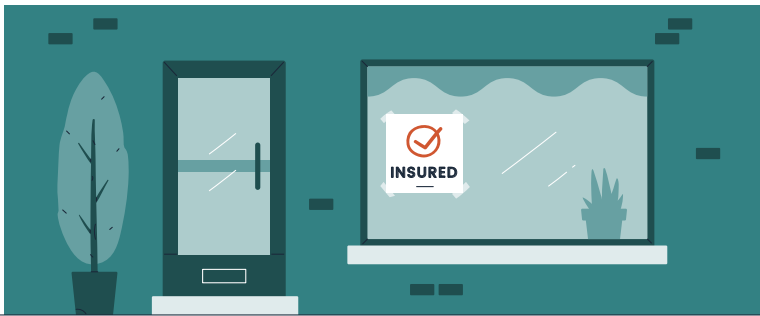
Evaluating Your Risk

Many small businesses in New York and New Jersey were forced to close following Superstorm Sandy because they lacked the insurance that would have gotten them back on their feet. That part is well known. What's less well known is that this lack of proper insurance, coupled with the lack proper legal incorporation, resulted in many entrepreneurs seeing their personal assets come under threat.

You'll want to consider your insurance needs both in terms of the potential frequency of claims against you and the size of the potential liability. You're also going to want to think carefully about your assets and what you can and cannot afford to lose. A good rule of thumb is to always buy insurance if

you can't absorb the loss of a particular asset without dramatic effect. This might all sound complicated and daunting, but it should be considered part of starting a small business 101 — one of those major business elements that are too important not to address.

Once you've chosen your insurance coverage, you'll want to re-evaluate your policy at least once a year. As your business grows in terms of revenue, space, and number of employees, your insurance needs will also evolve.



Insurance for Small Businesses Employing W-2 Staff

After starting your small business, you may eventually want to hire employees. When this happens, you are legally required to purchase workers' compensation insurance, unemployment insurance, and — depending on your business location — disability insurance. Current states where disability insurance is a legal requirement include: [California](#), [Hawaii](#), [New Jersey](#), [New York](#), and [Rhode Island](#).

[Workers' compensation insurance](#) is designed to provide wage replacement and medical and death benefits to employees who are injured or worse on the job. In exchange for these benefits, the employee gives up his or her rights to sue for liability leading to the accident. Your premium will reflect the type of business you operate and the average salary of

your employees. Much like auto insurance, business owners who are new to starting a small business or those with less experience tend to pay higher premiums.

You'll also want to evaluate [your obligation to your employees' health care](#) provisions following the introduction of the Affordable Care Act, which mandates the responsibility for the cost of insuring full-time employees to businesses with 50 or more full-time, or full-time equivalent employees. It also provides generous tax credits to smaller businesses with 25 or less full-time equivalent employees. Need a little more help understanding how U.S. health insurance reform affects your business? Register for one of the SBA's upcoming [Affordable Care Act webinars](#). They also offer recordings of previous webinars in both English and Spanish for those who can't make it to one of their live sessions.

The Bottom Line

Starting a small business comes with its share of uncertainty. Every time you open your doors in the morning, your small business is incurring a potential risk, from your customers, employees, and even mother nature herself. Take the steps necessary to minimize that risk by applying for the adequate insurance to meet your business profile.

Unless you're running a one-person show, small business owners employing staff have additional legal obligations. It's important to inform yourself and make sure your business and personal assets are well protected.

[View Your To Do List](#)

08

LOCATION

Picking the Best Location for Your Small Business



It's hard to overstate the importance of choosing the right location when starting your small business. We're sure you've heard the saying 1,000 times before, Location, Location, Location! Some of the world's most well-financed franchises have this weaved into their business DNA. McDonald's Ray Kroc is the perfect example. When asked about the business, this well-know American businessman and philanthropist once stated, "We are in the real estate business, not the hamburger business."

Bottom line, it's not their secret sauce or salted fries that makes them one of the [most successful fast-food franchises in history](#), it's the fact that they have one of the world's best real estate portfolios.

So how can you make sure you're applying this mindset when choosing the right location for your business? Well, for starters, remember that there

really is no such thing as a perfect location. There is however, the perfect marriage between location and your specific business needs.

SEE ALSO: [Four Things Retailers Can Learn from Realtors](#)



Pick Your Customers First and Location Will Follow

The first step in choosing a business location has little to do with site evaluation. It's about understanding who your customers are. What kind of people are they? When and where do they work? How do they spend their free time and extra capital? Get to know your potential customers and you'll have a far better chance of finding both a site and a property that they'll want to frequent. Once you know who they are, you need to ask yourself if there are enough members of this target demographic near your intended storefront location. If so, what time of day they are most likely to be near your storefront? And, will it be quick and convenient for them to stop in?

The core criteria of small business site selection will always be foot traffic and ease of access. In places like New York City, this means being by the subway or on a busy street. But for most of America it's about considering traffic flow and parking accessibility. Ever see three gas stations at the same

“ Every time I’m choosing a new a location, I head down there with a big flask of coffee and a clicker to count all the people that walk past. Then I walk to the nearest public transportation at rush hour and look at how people are heading home. I turned down one location because while it was right next to the subway, I noticed all the commuters were coming out of the other subway entrance. It turns out all the residences in that area were on the other side of the street. ”

- Jason Richelson,
ShopKeep Founder and Experienced Small
Business Owner

intersection? They are all picking off different traffic flows because they know customers are looking for the shortest possible detour.

SEE ALSO: [ShopKeep, Our Story](#)

Additional considerations include: zoning regulations, local labor supply, proximity to suppliers, and how well the location reflects your intended brand image. For a more detailed discussion of these and other factors, you can read: [4 Things You Probably Haven't Considered About Choosing a Retail Location.](#)



Think Lean: How Much Space Do You Really Need?

Right before you start your small business, everyone has a dream setup for their small business in their head, along with a laundry list of amazing features. It's probably large and full of natural light, opposite from a park, and filled with beautiful details like a long solid oak counter and a little bell over the door. There's absolutely nothing wrong with these aspirations. In

fact, it's vital to have a clear vision of what you're working towards. It can, however become a problem if you let the perfect business location become a barrier to opening your doors in the first place.

To avoid buyer's block, define the core characteristics you absolutely need in your business. Write them down in a prioritized list ranked from 'deal breaker' to 'would be nice to have.' Now cross off the bottom five and focus only on the ones that are left. Compromising is essential in choosing a commercial space, especially in popular neighborhoods. Besides, you'd be surprised how what once seemed like a less than stellar storefront can become your dream location once you get those creative juices flowing.

Need a little inspiration? Check out this blog post on [DesignSponge.com](#) for a great example of how one shop owner DIYed the heck out of a less than ideal 6,000-square-foot space, for just under \$1,000!

SEE ALSO: [10 Steps To A Better Looking Retail Store On a Shoestring Budget](#)

The Data-Driven Approach to Choosing the Right Business Location

It is also essential to take a lean, data-led approach to choosing a business space. The average length of a commercial lease has dropped over the last few years but is still often well over five years, so the absolute last thing you want to do is rush into a signing and get locked into a bad situation. There are so many ways to test the viability of your business idea before you over-invest and sign a full-blown lease agreement.

One example is testing your products and services for their desirability through ecommerce. It might turn out that your core product line will actually be much smaller than you originally envisioned. Equally, there are

now a number of services (such as storefront.com) that will allow you to secure a pop-up lease in some incredible spaces, often for only days at a time. It might just turn out that your dream location isn't as great as you originally thought.

Another example of data-driven decision making is scouting the local competition and taking notes on how much traffic they are getting regularly, the kind of products that they're selling, their pricing, and even how they market their business. This kind of information will help you determine the pros and cons of choosing a location in that area as well as potential strengths, weaknesses, and opportunities that can improve your business plan. Trust us, doing all of this before starting your small business will save you major headaches in the long run.

SEE ALSO: [Build, Measure, Learn: A New Approach to Retail Business](#)

As with every aspect of starting and running a successful small business, it's important that your decisions are guided by real-world information, not just intuition. To learn more about a data-led approach to small business, make sure to check out [Lean Retail 101](#).

How to Negotiate the Best Terms for Your Business Location

When it does come time to choose a long-term space and negotiate a deal, it's important to remember that there is more to discuss than just the monthly rental rate. Subjects you'll want to raise include the proposed length of your lease and options for renewal, responsibility for ongoing maintenance and repairs, payment of utilities, and obligations around property insurance. Parking rights are also essential for many, especially businesses located in a small shopping center.



Understanding Commercial Rental Rates:

Commercial rent is most commonly quoted as the cost per sq foot per annum.

In this example, our retail location has a square footage of 2,500 sq ft.

The cost is \$56/sq foot.

Therefore $2500 \text{ sq ft} * \$56 = \$140,000$ annual rent.

We can establish monthly rent as $\$140,000 / 12 = \$11,666$ per month

If you're moving into a space that requires renovations in order to fit your business needs, you'll also want the landlord to take on responsibility for that work. We're not talking aesthetics here, we mean necessary renovations such as improved data connectivity. If you have to do the work yourself, it's advisable to ask the landlord for a rent-free or reduced-rent period. You should also make sure that any additional alterations you have in mind are acceptable and would not be in breach of the lease. Last but not least, always make sure the do's and don't of what can and cannot be done is put in writing, it will save you a lot of headaches later.

Above all, remember that all of these elements can form part of your negotiation. Unless you are pursuing a highly desired space in a hot rental market, there is usually a point of leverage available to you in every lease negotiation. When it comes to getting the best possible deal in these situations, you'll want to seek quality professional advice, this will normally include a broker and real estate lawyer.

One note on commercial real estate brokers: It's important to heed their counsel but remember, the right location is worth waiting for. Also, assume the commercial broker does not have your best interest in mind. Some brokers will push to get you into any location, not necessarily the one that is right for you.

When leasing a retail space, there is always risks involved. Your goal should be to minimize these as much as possible by considering every angle and asking the right questions. For example, does the landlord intend on erecting scaffolding on the building at any point during the lease? If so, can the rent be reduced to reflect this situation? You will also want to ask to have a clause included allowing you to sublet if necessary, which can be important if you ever find yourself struggling to make payments.

The Bottom Line

Location, location, location is quoted so often for a reason. When starting a small business, the wrong choice could hurt your business before you've even had the chance to open the doors. Take the time to really understand your customers and do everything you can to gather real world insights that will help you determine the viability of your potential new space.

Once you're ready to choose a long-term space, do your homework and hire professionals if necessary to ensure you pick the best possible location for your small business and understand every aspect of your lease, not just the monthly rental rates.

[View Your To Do List](#)

09

STORE LAYOUT DESIGN

Choosing Your Store Design



We all know that we're not supposed to judge a book by its cover. The truth is however, that it's human nature to judge based on appearance. Though most of the time, despite our good intentions, it happens unconsciously. As consumers we make incredibly quick decisions about the businesses we choose or choose not to frequent. As we enter a location we take in the signage, the windows, and the product displays. And with the blink of an eye we determine a dozen different factors. Is this location trustworthy, clean, and friendly? Is the staff likely to treat me well? Will the products be to my liking? Will I find what I need and complete my purchase quickly? Can I even afford to shop here? And, perhaps most importantly: Is there something unique about this place?

It almost goes without saying that everything about your shop's design should project the right answers to each of these questions. But in today's

market, you have to go one step further. In our digitally connected world consumers have seen it all. The true art of [compelling store design](#) is in telling a story about your business, while simultaneously anticipating the needs of your customers. It's all about the surprise and the delight.

Why Choosing the Right Store Design Really Matters

When starting a small business, many store owners underestimate the value of a persuasive shop design. What they don't realize is that people are visual creatures. In fact, 90% of [the information transmitted in the human brain](#) is visual. Clear, consistent store design will ensure that you attract your ideal customers into your business by delivering a subconscious uniform message.

For example: Imagine walking into a slightly weathered coffee shop on Main Street, middle America. It's charming in its own unique way. You sit down to enjoy a cup of coffee as you skim through the tabletop jukebox. Then the bill comes. "\$10 for a cup of coffee? In this rundown joint!" This might be what comes to mind if the price of the service doesn't meet the expectations you had when you first walked into the business.

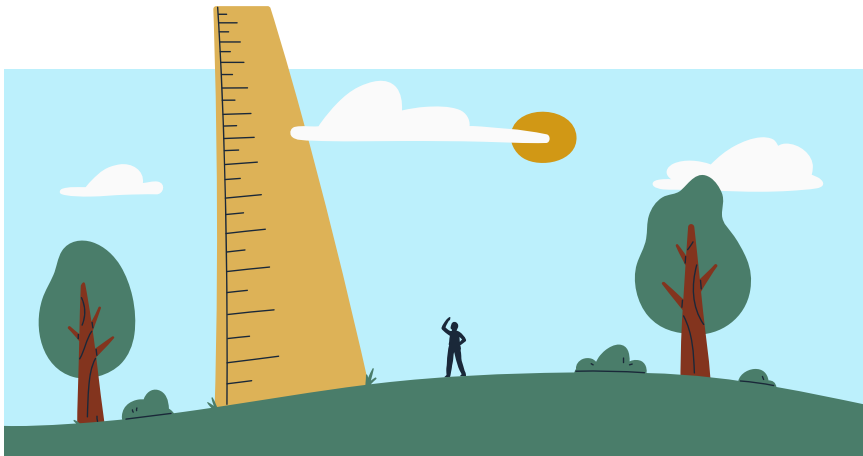
Moral of the story? Make sure that the brand perception you are trying to build for your business is clear from the moment customers walk into your shop. Your store's design bridges your customer's aspirations with the value your business can offer and is important in attracting the right customers to your business.

SEE ALSO: [How Much Should I Charge for a Cup of Coffee?](#)



At the very least get the [basics of shop design](#) right with great lighting, clean displays, and a well thought out layout. Once you have all of this pulled together you can add a dose of your own personality to the store's design to break through the noise and establish a connection with your target customers. The goal is to be memorable and maximize sales per square foot at the same time!

Remember: You can be memorable and maximize sales per square foot at the same time!



How to Choose the Right Store Layout 'From the Feet Up' - Consistency of Vision

It's not a coincidence that the most praised retail environment of modern times was birthed by a man with an almost maniacal attention to detail, the late CEO and founder of Apple, Steve Jobs. As the line goes in [American Hustle](#), if you want to convince someone you're the real deal, you have to do it, "from the feet up."

The first step any local entrepreneur should take when starting a small business and considering the look and layout of their shop is to go back to their [mission statement](#). See, we told you that would come in handy!

Every aspect of your store should flow from a clear statement of who you are and what you stand for as a business. From the sign hanging proudly outside your store window, to the color of the wallpaper in the in-store restroom, every detail should contribute to conveying your unique purpose and brand to the world. This consistency should also be applied to all your online assets, for example, your website design.

Hospitality expert, Chip Conley founded and grew the Joie De Vivre hotels from a single San Francisco location to become California's largest boutique hotel management company. How? He understood the value of a unique vision when it's consistently applied. He created each hotel to reflect the spirit of a niche-oriented magazine that he felt represented his target market. Examples include the Phoenix (Rolling Stone), the Rex (The New Yorker), Hotel Avante (Wired), Wild Palms Hotel (Fast Company), Hotel Los Gatos (Town and Country), and the Water's Edge (Yachting). Obviously your inspiration doesn't need to be a magazine, it can just as easily be a song, a group of words, or just a particular image. Find something that resonates with the customers you have in mind and design your store to reflect that [vision](#).

A good starting point here is to write down two or three keywords that you think define your brand and then allow all your design choices to be guided by those words. For example, a local cheese shop could be organic, artisanal, and authentic; a wine bar could be sophisticated, 1920s, French; or a local specialty food store could be gourmet, helpful, natural.

If you're unable to distill your vision down to this bare minimum, chances are it's too complicated.



Choosing a Store Layout Fit for Purpose

Great shop design is a marriage of form and function, so every aspect of your space when starting a new business should both convey your desired aesthetic and contribute towards an environment that supports the practicalities of your particular business type.

If you're a high volume QSR for example, you're going to want clear signage that helps customers identify where they should be lining up and perhaps a product display next to the line. If you have [high risk merchandise](#) in your store, you'll want to design your shop so that customers must pass the point of sale on their way out and use mirrors to eliminate blind spots in your business.

The negative impact of an unintuitive store design or a cluttered restaurant environment are hard to overstate, so your best bet is to keep it clean and simple. Examples abound of shoe stores seeing sales double almost overnight, after removing benches that were blocking customers' access to particular product displays.

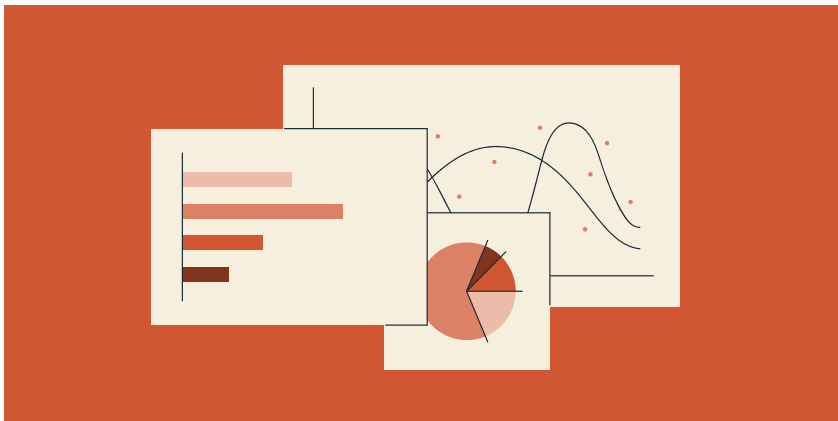
One practical note: Lots of retailers and restaurateurs are now engaging in event marketing in their business locations. Lululemon does in-store yoga on Sunday mornings, Barnes and Noble hosts author readings, and your local Italian restaurant may offer cooking classes. Think about all the potential use cases for your store and ensure that it is fit for purpose.

Delighting the Senses

Ever wonder why you walk into a supermarket and the first thing you see is fruits and vegetables rather than toilet cleaner? The complex art of displaying arrangement and the perfectly optimized in-store customer journey can seem like some sort of semi-magical, commercial Feng-Shui.

But it's actually just business 101. At its core, store design is a fairly simple exercise. Think about your shop's layout from a customer point of view and consider what might surprise and delight you, what might annoy you, and most importantly, what might convince you to make a purchase.

It is particularly important that you think about your customer's experience holistically. Big-box retailers have long understood that people have five senses and that those senses affect decision making in a profound way. Whether it's through intelligent lighting, the right music selection, or the careful piping in of a beautiful scent, smart retailers have learned the art of [manipulating customer mood](#) — whether they need you excited about a sale or relaxed and in the mood to hang around.



The Data-Led Approach to Store Design

The good news is that when you're starting your small business, you now have the tools to take a data-led approach to choosing the right store design. For example: Not sure what type of music gets your customers in the mood to spend? Simply choose a few different styles and display a different one each week. After the test is complete, analyze sales data to

help you identify what could be impacting sales. The key to getting accurate results from this kind of test is to avoid switching up the other variables in your store that can impact sales, such as signage, or testing one type of music during a regular business week and another type during a holiday week. For more details on how to create controlled in-store experiments, you can check out [Lean Retail 101](#).

Looking for shop design inspiration? Check out the [retail design blog](#).

The Bottom Line

When starting a new business (or revamping an old), great store design can attract customers, convey your unique brand, and put your customers in the mood to spend time and money in your business, so it's worth getting right.

The look and feel of your location should be treated as a natural extension of the purpose and personality of your small business. Pay attention to the details and you'll make sure customers are getting a clear impression of who you are.

If in doubt, simplify, declutter, and focus on ensuring your customers can access your products with no hassle and pay for their purchases with minimal delay.

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10

EQUIPMENT

Running a Better Business 101: Equipment & Technology



For small business owners starting or wanting to grow a small business, attracting and retaining customers is a huge priority. Let's face it, without customers you don't have a business to run. Over the last decade there has been an explosion in the number of high-quality, affordable technologies that are specifically geared towards helping small, local business owners improve the day-to-day operations that impact this aspect of their business. This includes [point of sale systems](#), tax software, bookkeeping software, employee scheduling and payroll programs, [inventory tracking tools](#), customer loyalty programs, gift card technology, ecommerce opportunities, website builders, email marketing software, and social media management tools. The list goes on and on.

For small business owners, these tools present an incredible opportunity to set [smarter business goals](#) and easily identify some of the key factors of success and growth in their business. However, when you couple the

At A Glance

- Small business owners survive and thrive by organizing three key resources: money, time, and business data. The right technology and equipment investments deliver more of all three.
- Every investment has both a cost to your business and a potential benefit. When evaluating your requirements, it's easy to be put off by upfront costs and not pay enough attention to the long-term gains.
- Small business owners are enjoying a gold rush of valuable and affordable new technologies. The barrier to entry of high hardware costs has been removed, leaving you to experiment and find the right technology through trial and error.
- The right technology and equipment investments will improve the way your customer experiences your store or restaurant.



breadth of technology options with decisions about basic store and restaurant equipment, such as espresso machines or air conditioning units, it can become a little overwhelming to figure out what is actually worth the investment.

SEE ALSO: [6 Expenses Worthy of a Small Business Loan](#)

How to Invest in the Right Business Equipment

When identifying the equipment and technology that is best for your small business it all comes down to one key thing: opportunity cost.

OPPORTUNITY COST N.

The cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action.

While there is always a cost associated with technology and equipment investments, business owners often fail to consider the cost of not making the same investments. If you don't invest in good technology and the best equipment for your business, it could end up costing you a lot more in the future.

So how do you determine this opportunity cost? By asking yourself the following:

- Will it improve the customer experience? Will it enhance customer loyalty?
- Will it attract new customers to my business?

SEE ALSO: [Your World If Point of Sale Systems Didn't Exist](#)

Starting to see a trend here? Notice how each of these questions begins with the customer in mind. As with all things related to your store, it's critical to put your customer at the core of your decision making. At first glance, little things like cold drinks that aren't quite cold enough, can seem insignificant, but it's often the little things that hurt the customer experience and can turn a customer off to your business forever.



Technology + Aesthetics = A Match Made in Small Biz Heaven

When you set out to start your small business, investing in the right technology and equipment should be considered in conjunction with your [store design](#). They should seamlessly integrate with and improve the customer experience in your store. Everyone remembers their first trip to the Apple Store and the “wow” moment of having their sale rung up by the assistant in the middle of the store, rather than having to wait in a line. But fewer people probably notice the carefully positioned heater that creates a warm environment for them as they walk through the door. It's all part of the same idea.

Make sure to check out [government surplus auctions](#), which sell extra government equipment, as well as seized goods. Auctions as a result of foreclosures are also often a great way to find a deal.

“ Beware suppliers bearing gifts. That ‘free’ refrigerator from the drinks supplier is never really free. You can quickly find yourself tied into sub-optimal deals because of a reliance on this hardware. If you have access to the capital, do yourself a favor: Buy your own fridge and negotiate from a position of strength. ”

- Jason Richelson,
ShopKeep Founder and Experienced Small
Business Owner

Whether you end up looking at self-checkout counters, fancy lighting systems, special refrigerated cases, or any of a countless number of options, never forget that these are only tools to help accomplish your main goal. Your store needs to create an environment where customers want to be, where they feel comfortable and appreciated, and where that experience will prompt them to purchase (and hopefully encourage their friends to do the same). Equipment and technology decisions should always be made with your customers in mind.

The Software as a Service (SaaS) Revolution

Up until about ten years ago, if you were in the process of starting a small business and wanted to use all of the technologies listed at the start of this section, you would have needed to take out a second mortgage to cover the bill. Investing in retail technology has historically involved expensive hardware (including an in-house server), large upfront software costs, and hefty ongoing bills for customer support or repairs when things went wrong. Innovators were targeting large-scale enterprises like Coca-Cola, not local mom and pops, so the packages and price points were designed to match.

Luckily, recent times have seen a [revolution in small business technology](#). The advent of [cloud-based technology](#) has made it possible for a small startup company to build a product and have it used (and paid for) by retailers and restaurateurs all over the world. As a result, the number of companies targeting their innovations directly at you and your small business has exploded, leaving you with more choice and at a better prices, than ever before. For those just starting a small business, this is great! Here's what else you should know.

These new companies no longer charge crazy upfront fees, moving instead to what's known as a [“SaaS” monthly subscription model](#), often with

a free trial period. Therefore, the risk of trying a new product is greatly reduced, as you are required to pay little or nothing upfront. Even Microsoft announced in 2015 that they would be moving their flagship product, Microsoft Office, to this pricing model.

So, what does all this mean for you? It means that there has never been a better and cheaper time to weave technology into the fabric of everything you do as a small business owner.

Download: [The ShopKeep Cloud-Based Business Management Guide](#)

The Bottom Line

There has never been a better time to be a small business owner looking to make intelligent decisions about equipment and technology. That also means it's never better a better time to take the plunge of starting a small business.

The enormous range and affordability of options has provided the chance for small business owners to apply technology to their accounting, marketing, and day-to-day operations. You can spend less money, save valuable time, and gather data about almost every aspect of your business. What's more, you can enhance the way your customers experience your store in a meaningful and cost-effective way.

[View Your To Do List](#)

11

INVENTORY MANAGEMENT

Choosing Your Product Mix and Inventory
Management



If you've spent time at your local flea or farmers' market over the last few years, you may have noticed the explosion that has taken place in the number of innovative small business concepts. From cool new clothing lines to ingenious fusion foods, the sheer diversity of the ideas on display really hammers home one of the key lessons when starting a small business: You need to find your key differentiator. For some this is their brand story, for others it's the value of their service, but for many quick service restaurants and small retailers, it's a distinctive core product line that demands the attention and interest of your customers.

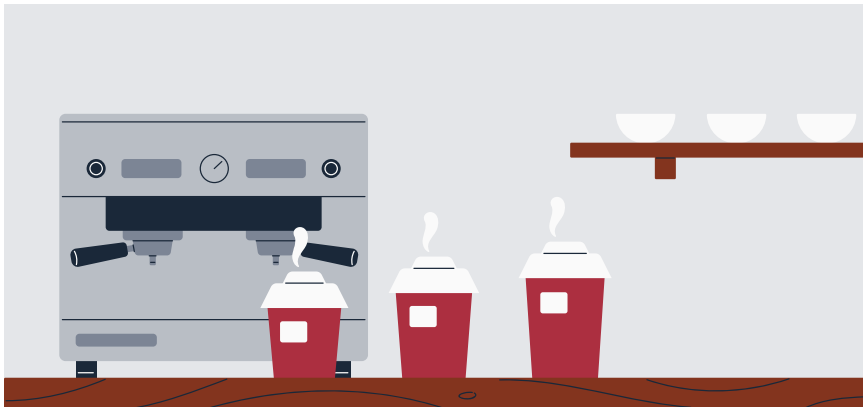
That being said, it is also clear that having one great idea is far from the whole picture — Korean tacos alone do not make for a thriving business. It's one thing to make some killer eats for a Sunday market, it's another thing entirely to consistently and profitably deliver a full range of high-quality products.

Creating an intelligent product line, working with quality, reliable suppliers, and implementing the right processes for monitoring your inventory will ensure your best chance of success.

SEE ALSO: [7 Things To Look For In Inventory Management Software](#)

At A Glance

- When you start a small business, the right product line will contain a distinctive and original headline product or products that will attract the eye and give customers something to tell their friends about.
- It's important to build a diversified product line around your headline product(s). Make sure to consider a range of price points and don't be overly reliant on any one supplier.
- Carefully counting your inventory and controlling the cost and frequency of your supplies will put you in the best position to run a profitable business.
- Inventory management can be incredibly time-consuming, so this is one area where the right technology is essential.



Choosing a Diversified Product Mix

While a single great product can't usually support a whole business, it is beneficial to select one or two "headline" products that will form the cornerstone of your offering. This will often be an obvious choice: If you're a coffee shop, your headline product will be coffee. If you're a burger joint, you guessed it, it'll be burgers. This product will often be the centerpiece of your marketing efforts and a way for you to "own" a space in a customer's mind. For example, Jack's Burgers makes the best cheeseburger in town and Daisy's Threads has the most adorable scarves.

However, while this product might draw the customer through the door, it will not, on its own, make your business a success. A strong small business has to be resilient to the challenges the world can throw at it, whether that means an economic recession, sudden fluctuations in commodity prices, or problematic suppliers. And a big part of resilience comes in the form of diversification.

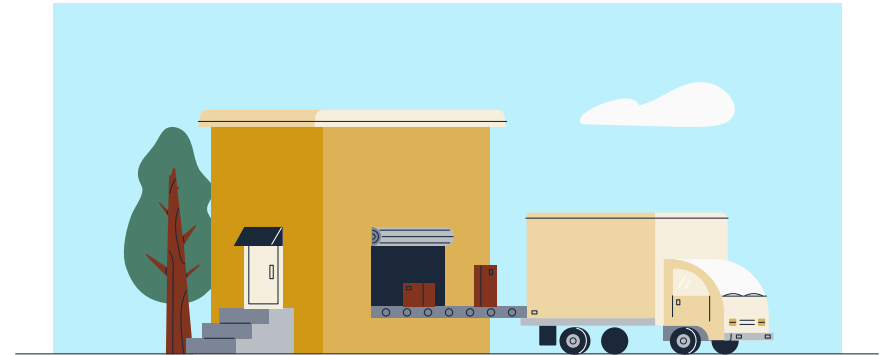
One of the core skills needed when starting a small business is the ability to build out a diversified product line that is complementary to the headline product(s). It's hard to imagine a successful business called "Burgers and Scarves," right? As a good rule of thumb, a well-thought-out product line allows for the customer to upsell themselves. You want them thinking, "I'm having a burger, y'know what I'm going to have some fries too."

SEE ALSO: [5 Inventory Management Techniques to Adopt](#)

A great product line will also reflect a range of price points. For a business that is working hard to convey a sophisticated and elite vibe, it might be a useful strategy to set a high minimum price, but for the vast majority of small businesses, your pricing should be guided by one key thought: I want every single person who comes through my door to be able to find something that fits their budget.

“ As a general rule, it is significantly easier to lower prices than to raise them, so start high. Competing on price is a race to the bottom that is only ever won by those who can ship the biggest volume. The way to win in small business is to compete on value, originality and personality – never on price. ”

- Jason Richelson,
ShopKeep Founder and Experienced Small
Business Owner



Choosing Inventory Suppliers and Tracking Performance

In small business, a well-priced, original product line will get customers spending their money and hopefully, singing your praises to everyone they meet. However, demand is only one side of the product equation. It's equally important to consider your supply-side needs.

Where will you source your products? At what price? What kind of markup does that leave room for? How will you find the right balance between quality and affordability? What is your product lifecycle? How often will you receive deliveries? There is a lot to consider when choosing your suppliers, but getting it right is worth it.

A great supplier will provide the raw ingredients of your success — often literally. What's more, they'll deliver them on time, every time. And they'll always deliver exactly what you ordered, no more, and no less. A large part of the process of inventory control is ensuring that you are paying for exactly the inventory that comes through your door, and not a penny more. Even great suppliers, however, are looking for the highest price possible for their goods, so once you find them, make sure you're ready to negotiate!

Your product line should never be overly reliant on any individual supplier. One supplier raising their prices should not have a wholesale impact on your gross margins.

SEE ALSO: [5 Ways to Hack Your Inventory Management Solutions](#)

Inventory Management: Bean Counting in its Truest Form

Inventory management — especially when first starting a small business — at its most basic level consists of counting how many of a given product (let's say apples) you have for sale in the morning, keeping track of that number, then reducing it by one each time an apple is sold. At the end of the sales day, you count the leftover apples and make sure the number of apples in your inventory system matches whatever you actually have in store. When you have an accurate apple count, you call your supplier and order as many as you need to make sure you have enough on hand for the next day.

Seems simple right? Well, yes and no. Inventory management can become very complicated once you factor in issues like product lifecycle (how quickly do the apples go bad?), variable amounts of raw goods in a single item (how many apples went into that apple turnover you sold?), delivery times (how quickly you can get new apples?), and variable wholesale apple costs (how much did you pay for that particular bunch of apples?).

It can become very difficult and time-consuming to constantly track the amount and purchase price of all your inventory, but it is hugely important to your bottom line. Every time you catch yourself saying, "Sorry, we don't have that in right now," you are leading your business in a very unhealthy direction. Not only does being out of something represent a lost sale opportunity, but in a world where consumers place a huge premium on

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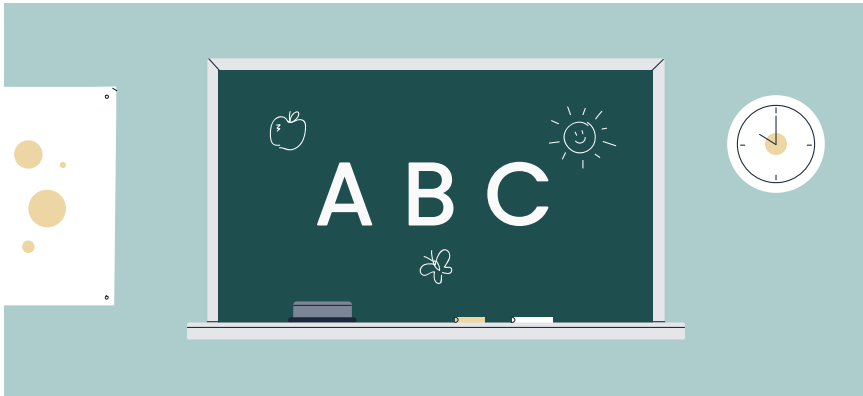
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their time, it could mean that you lose that customer forever while hurting your brand reputation in the process.

Tight control of inventory, while not a particularly glamorous part of owning a small business, is therefore one of the most important ways you can impact profitability. The good news now is that there is an array of technology available that can make this whole process much smoother, including sophisticated forecasting tools that will help you predict your required inventory levels for each day based on past sales, weather records, and many other factors.

SEE ALSO: [5 Steps to Properly Outsourcing Inventory Management](#)



Making Inventory Management as Easy as ABC

We already covered how excess inventory, or lack of, can hurt your business. But as a small business owner (or someone just opening a small business) with so little time and so much to do, how do you prioritize this time consuming but very necessary task? It's actually quite simple, automation!

Most of today's POS systems have integrated inventory management software that allows you to put hours back in your week, whatever the volume of your stock. A quality point of sale system will allow you to manage pricing changes, track product availability, cross-check inventory, and automate reorders with ease. All of which are crucial in helping you develop a deeper understanding of your business, enabling smoother day-to-day operations and smart purchasing decisions.

Find Out How ShopKeep Can Help You [Simplify Inventory Management In Your Business](#), Start Your Free Trial.

The Bottom Line

A great product line should be built around a small core of original, distinctive items. Originality will encourage repeat customers and word of mouth, while also allowing you to compete on value, rather than price.

Originality, on its own however, is not enough. A successful product line should reflect a range of price points and not be overly reliant on any one supplier. A diversified offering will make your business resilient in the face of change.

Maintaining a tight count on inventory is most definitely not the most glamorous aspect of running a small business, but it is essential to keep costs under control. Opt for point of sale software that integrates inventory management, saving you time and money.

[View Your To Do List](#)

12

EMPLOYEES & CUSTOMERS

The Employee Selection Process and Your Customers Experience



Starting a small business in a big business world can be tough. It's almost impossible to compete with large retailers on price, and scalability can be a challenge if investments aren't properly prioritized upfront. Still, there's light at the end of the tunnel.

SEE ALSO: [Survey Says a Service Mindset is Crucial](#)

Everything from the way the customer is greeted as they walk through the door to the way your products are presented following a sale matters. The smallest details can make the biggest difference. Early on when just starting your small business, you as an owner, will be able to exert a lot of direct control over these details. But as you grow, you will come to recognize the value of a well-trained and motivated staff.

At A Glance

- It's small business 101 to know that you'll live and die by competing on value, not price. Consumers choose to shop at small businesses because they want something distinctive, local, and personal. Your staff are a big part of how you can service this desire.
- There is a big administrative hurdle involved in employing people, so you'll need to research your tax obligations thoroughly.
- Finding, training, and empowering the right staff isn't easy, but by being clear on your business objectives and offering a creative compensation package, you can attract the right employees.
- It's critical to make sure that your employees understand your mission. When you're away from your business, you want staff that can own your brand and care for it as well as you would.
- Small businesses that learn to compete on service rather than price, can get an immediate leg up on the competition. All of which goes to say that the employee selection process is now more important than ever.

In order to ensure that the staff you're bringing on board is the right fit for your small business, there's a few questions that you should ask yourself during the interview process. Are they competent? Capable? Compatible and committed to your core business values? Do they fit in with the culture you are trying to build? And can you offer them fair compensation? Business expert and entrepreneur Alan E. Hall, calls this the [7 C's to hiring](#). At the end of the day you want to look beyond the skills and experience they have on paper and make sure that they are willing and able to grow with your business.

SEE ALSO: [How to Hire and Keep the Best Employees for Your Business](#)

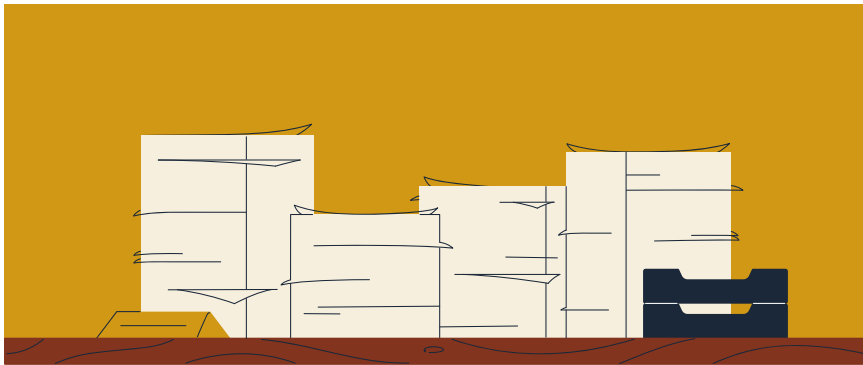


Show Me the Money

Compensation is a critical key to retaining and motivating the right employees. However, since small businesses often start out with tight budgets, compensation is an area they often struggle with, commonly leading to bad hiring decisions that affect overall business performance. The good news is that employers willing to step outside the hourly-wage box have a variety of options.

For employers that cannot offer incentive pay (Think, Sally sold 20 more sea shells than Sandra.), stock options, other additional bonuses, indirect compensation is a great alternative. Some examples of these employee benefits include: commuter benefits, meals, and discounted inventory.

To be clear, we are not suggesting that you pay employees in coffee and donuts, but in order to build a compensation structure that attracts quality employees, you have to get creative and be willing to provide more than your standard benefits package.



Employees = Administrative Fun with Paperwork!

As with many aspects of starting a small business, there is no small amount of paperwork involved in taking on staff. The first step involved is usually registering for an [Employer Identification Number \(EIN\)](#) from the IRS.

Once you've got that, you'll want to familiarize yourself with your tax obligations as a employer, including providing [required employee benefits](#) such as social security and workers' compensation. As an employer you are also responsible for withholding federal and state taxes from your employees' paychecks. What's more, you are obliged to ensure all withheld tax is forwarded to the government within a defined time frame (usually a

matter of days after the paycheck was issued). Failure to do so can result in a fine.

You are also obliged to file a quarterly tax return which must detail, amongst other things, your employee pay and withholdings. Once again, failure to do this can result in, you guessed it, a fine! As you can see, it's important to be up to speed on the rules and regulations around taking on employees, including, of course, provisions around hiring [foreign workers](#). The good news is that there are a number of affordable payroll software providers that automate this process very effectively.

Each employee must fill out a W-4 form when joining your business. This will provide the information required to calculate tax withholding. Again, good payroll software will automate this process. There are also excellent third-party companies that will take on the responsibility for this process, which can be a huge time-saver.

Employee Onboarding: Practical Training

Small business owners, time-pressed as they often are, sometimes struggle to provide a structured environment for new employees. Therefore, it's a good idea to have an employee handbook available to provide the key details you'd like a new employee to know regarding how your business operates.

This information can range from detailed instructions about operating your point of sale system to a simple list laying out the routine each employee should go through when closing down the store at night.

Plus, taking the time to put pen to paper should benefit you as the small business owner as much as any potential new employee. Creating this kind of central resource about best operating practices will force yourself

to formulate your thoughts and be clear about exactly what you want. Whether that means codifying sales procedures or deciding who can take cash from the cash drawer, you'll have a clear and consistent company policy, something to which most employees will respond favorably.

Technology can be a huge help in this area also. There are a range of easy-to-learn online tools that make it simple to carry out previously time-consuming tasks, such as employee scheduling, time clock tracking, and payroll.

SEE ALSO: [Find the Employee of Your Dreams: Top Eight Ways to Weed Through Resumes](#)

Employee Onboarding: Introduction to the Brand

Hiring, training, and paying employees can quickly become one of the biggest operating costs for someone starting a small business, so it is vital that you make the most of this expensive resource.

As your business grows, your ability to deal directly with every customer diminishes, and your reliance on your staff increases. Indeed, for many businesses, such as full-service restaurants, hiring staff is an absolutely essential part of their operations. It is therefore important that you choose the right kind of employees and then take the time to fully introduce them to your mission statement. A really great employee should learn about your values and seek to embody them when interacting with your customers.

Every employee should be able to both deliver your elevator pitch and believe in it themselves.

The Bottom Line

In today's competitive business landscape, the key card that small business owners hold up their sleeve is their ability to offer something distinctive, original, and personal. As small businesses grow, however, it can become increasingly difficult for the time-pressed, financially strapped entrepreneur to maintain direct oversight over every aspect of their store.

At a certain point, hiring, training, and empowering staff to represent you and your brand becomes a vital part of the small business owner's day to day.

Paperwork is almost as certain as death and taxes in small business, so before you get started with hiring, it's worth doing thorough research on the implications of taking on staff and then using the available tools to make that process easier. We get it, paperwork is never fun, but it is a growing pain when starting a small business.

[**View Your To Do List**](#)

13

MARKETING

Small Business Marketing Techniques



In every aspect when starting your small business you should be mindful of making careful, prudent decisions about the allocation of your potentially limited funds — tracking precisely the cost of goods sold (CoGS) against sales to ensure profitability. Every dollar spent is tracked and accounted for, either as an essential cost of doing business (rent, employees, etc.) or as a cost of inventory that will result directly in profit.

By contrast, when it comes to marketing, small business owners have historically been asked to take a leap of faith, spending money without any clear sense of how much positive impact it will have on their business. Put bluntly, learning how to market a small business can be perplexing. In essence, traditional small business marketing techniques have escaped any clearly definable return on investment (ROI) analysis. It's for this reason that so many small business owners write off marketing as if it were a get-rich-quick gimmick. When, in reality, it's at the heart of any successful business.

A lot has changed in recent years. Sophisticated, yet affordable technology now exists that can help track customer relationships from an ad placed on Google, right through to a successful sale. This offers small business owners

At A Glance

- Small business marketing has come a long way. Expensive, difficult-to-track efforts like outdoor ads are now complemented by cheaper and immediately trackable options such as online advertising. This allows you to see a much clearer return on investment (ROI).
- Get started early and open your new business with a bang. Make sure everyone you come into contact with learns what your company stands for. Spread the word! Starting a small business 101 dictates that word-of-mouth marketing is one of the most valuable marketing channels at your disposal.
- No matter what you think of social media sites (Yelp, Google+, etc.), your customers are using them to research your business, so make sure you take ownership of your online reputation.
- Remember, that when setting up a small business, you small size is an advantage. Be local, be personal, and most of all be lean. Keep trying new ways of reaching your target audience and be ready to measure the results and change course where necessary.
- It's no accident that some of the best marketers in the tech startup industry are known as "growth hackers." Think about your target demographic (e.g. students, local mothers, teenagers) and find any way you can to get the word out to them. Email mommy bloggers, hand out free samples at the local college, or write your website on all the napkins you hand out with your food. There is no substitute for action.

a unique chance to be entirely data-driven in their marketing approach. Every single aspect of your small business can be tweaked and optimized to ensure that you are enticing customers, up selling where possible, and encouraging people to spread the word about your business.

Find out how you can turn casual customers into regulars with ShopKeep and [MailChimp](#).



The Early Bird Gets the Customer

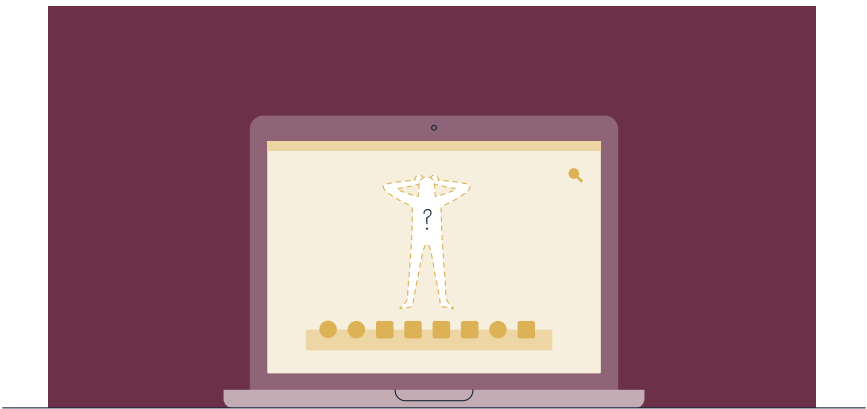
When just starting your small business, there are really no second chances at first impressions, so when it comes to how to market your small business, it's almost impossible to get started too soon.

Before you even open your doors you should be attending local flea and farmers' markets to give customers a sneak peek of your product (and gathering feedback). While there, you should start collecting customer emails so you can let the local community know when your actual store opens.

Remember the social media networks we asked you to secure in section five, Choosing a Business Name? Well, now is the perfect time to activate those channels. Use social media to build excitement about your grand opening and keep potential customers informed about special promotions and sales. People want to know what makes you special, so tell them why your store or restaurant will be different to what is currently available. From sharing pictures of that new fancy espresso machine or sneak peeks of your store’s interior, you can gain buy-in to your central message and build some anticipation before you even open your doors. Knowing how to leverage key social channels is imperative to starting a success small business that will stand the test of time.

Once you have your space secured, hang some pictures in the windows that illustrate what’s to come. It’s also a good idea to provide leaflets that people can take away with them and hang a clipboard and pen on the front door where people can sign up to hear more about your business. This list is pure gold! So once you have it, why not stage a launch party and invite the local community (and local journalists). The first step for any business is always getting people to try out your products!

SEE ALSO: [5 Ways to Make Your Small Business Social Media Strategy More Effective](#)



If You’re Not Online, You Don’t Exist

It might sound harsh, but when starting a small business your online presence is crucial. If you speak to some [experienced local business owners](#), many will denounce the existence of online review sites like Yelp and Google Local. They’ll tell you about the added time and pressure they now face to maintain [social media profiles for their businesses](#). A lot of local entrepreneurs will share their bad experiences with online [daily deal websites](#) like Groupon. But all that complaining doesn’t change one established fact that the internet isn’t going anywhere.

It’s true that these sites do exert a lot of power over the success and failure of your small business, but they also offer an invaluable opportunity for you to reach potential customers at a scale that has never previously been possible. It’s up to you to embrace this opportunity with open arms.

The right first step online for most stores and restaurants is creating a [Google Local Business Listing](#). Google accounts for [90% of all global organic search traffic](#) and more and more of that traffic is coming from mobile devices. Chances are, your customers are using Google to find you, so you’ll want to make sure your hours, description, contact details, address, and images are all accurate.

According to a recent [digital marketing survey conducted by Clutch](#), 74% of small businesses surveyed had a company website. Of the businesses that said they do not have a website, 9% said they planned to build a website in the future, while 10% said that they are unlikely to build one. One thing is clear, small business owners are starting to join the digital revolution and are reaping the rewards in terms of increased customer loyalty, growing word-of-mouth, and most importantly, increased sales.

SEE ALSO: [Small Business Marketing Techniques That Slaughter the Competition](#)

David Slayed Goliath For a Reason: Sometimes Smaller is Better

As an entrepreneur starting a small business, you can either look at your marketing budget alongside the Walmarts of this world and wave the white flag, or you can choose to change your perspective and realize that being small brings distinct advantages in the modern economy.

Firstly, more and more consumers are rebelling against the generic offerings of big-box retailers and seeking out the unique, personal touch offered by small, local business. You can leverage this message by weaving yourself into the fabric of your community. Canadian yoga apparel retailer Lululemon has enjoyed explosive growth thanks to their ability to do just this. According to their website, “A Lululemon store is so much more than a place to shop. It’s an education centre, a yoga studio and a meeting place. It’s a local hub for educators, ambassadors and guests to gather to learn, sweat and connect. It’s our lifeline to our communities and the soul of our company.” Lululemon uses free events to make people feel that they have a sense of ownership over the brand, and you can too! Getting people through your door is 90% of the battle and event marketing definitely can bring in crowds.

Secondly, your size allows you to laser-focus your attention on the right audience. Walmart wants to sell everything to everyone. So maybe instead, you just focus on selling colorful earmuffs to children in the Mission District in San Francisco. This kind of clarity allows you to compete for search rankings on Google, key positions on Yelp and other business recommendation engines, and for space on social media.

Lastly, and perhaps most importantly, your size should make you [lean](#). Every single aspect of your store or restaurant can be tweaked and optimized to ensure more and more customers are coming through the door. As you experiment with strategies on Facebook or Twitter, introduce

a new email marketing techniques, or simply erect new signage outside of your store, you have the chance to measure your success and react quickly to failure.

SEE ALSO: [Unlocking the Promise of Data-Driven Decision Making With POS Software](#)

The Bottom Line

Success when setting up a small local business will be the result of how many bodies you can get through the door on a daily basis. The good news is that while there is an incredible amount of competition out there, your size can provide distinct advantages by making you targeted, lean, and original.

Get started early, embrace the tools and marketing techniques available to you, and you will have a better chance of putting your best foot forward, both online and off.

[View Your To Do List](#)

14

EXPANSION

Planning Your Small Business Exit and Expansion Strategy



Before starting your small business and opening its doors, it is important to take some time to define your end goal. While it almost goes without saying that this goal will be subject to change, it is only by recognizing and clearly articulating your long-term ambitions that you can provide yourself with a compass that will guide every business decision.

Do you want to create the next great retail dynasty? Do you want to be [Abe Froman, the Sausage King of Chicago](#)? Or are you just looking for a simple local lifestyle business? Are you hoping to create a franchise model? Or do you see your local business as a testing ground for an ecommerce business? Your end goal will clearly inform your decisions, so it's worth considering what it is early on.

At A Glance

- Before starting a small business, it's important to have a clear idea of what you want to get out of the experience. The decisions required to build a retail empire will be different to those needed to establish an efficient lifestyle business.
- Many businesses have suffered difficulties during growth, especially when it's fast-paced. Many more, however, have struggled with the need to boost revenues. A thorough SWOT analysis is a great place to start when your growth plateaus.
- Trusted managers who are empowered to own your brand and make tough decisions are a prerequisite for a successful expansion.
- If you do seek to sell, you'll want to seek out a specialist lawyer and make sure your books are prepared for the examination they'll be subjected to.

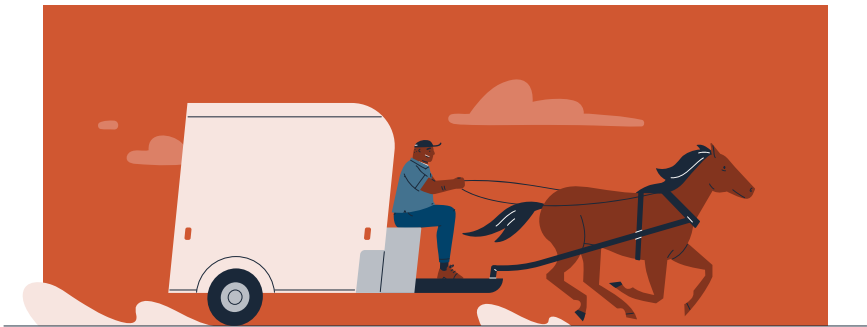
Taking the Reins: Managing Your Expansion Strategy

When you're first starting out, it can be hard to imagine that there are entrepreneurs out there complaining of having grown too fast. But for some, it's not a problem that's welcome. For every Ben and Jerry's, (Ben Cohen and Jerry Greenfield turned a rundown Burlington, VT gas station into an ice cream empire), there's a Zynga or a Living Social that has enjoyed incredibly fast-paced growth, let their operating costs get out of hand, and then had to engage in mass layoffs when reality hit. If you're enjoying fast-paced growth, make sure that this is reflected in your operating margins, not just the metric of revenue. You don't want to be the butt of the old retail joke: "We're losing a buck on every sale, but we sure are making it up on volume!"

Excessive growth is of course, a good problem to have. However, after stabilizing from the startup process, small businesses more commonly grow steadily before approaching a plateau. This is completely normal and it is often at this point that you'll need to go back to your business plan and carry out what is known as a [SWOT analysis](#). This includes an analysis of a company's current finances, the competition, and SWOT: Strengths, Weaknesses, Opportunities, and Threats. Renovation of your product line, rebranding, and seeking investment for expansion are all potential results of this SWOT analysis. Once again, the key here is being data-driven and always staying hungry. The successful small business owner is always looking for the incremental improvements in their business that when added up, make all the difference.

SEE ALSO: [Benchmarking Your Business Against Industry Standards Using Vertical Analysis](#)

At a certain point, the success and growth of your business might leave you considering the option of expansion to a second location. This is not a



decision to take lightly, as there is absolutely no guarantee that the strategy that worked in one location will work in another.

It's important that you have a fundamental understanding of what is making your business successful before you decide to expand. Who are your customers and why do they enjoy what you offer? Who are your suppliers and will they be able to deliver to your new location? What are your operating costs and will they be the same in a new location? A lot of small businesses start off in the suburbs of a town before making the move to a city's business district, only to find that unexpected additional costs are swallowing up their profits.

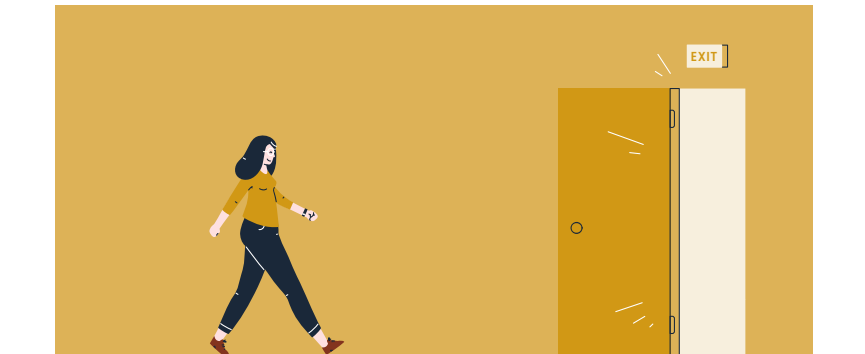
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Additionally, many small business owners get used to the level of control afforded by being in the store or restaurant every single day. Operating multiple locations necessitates a willingness to empower managers and delegate responsibility in a way not every entrepreneur understands at first.

The key to success here is having clear processes written down, promoting from within whenever possible, and remaining open to change. You'll want to balance your desire to educate your manager on how to manage your business with an openness to feedback and new ways of doing things. You'll also want to take advantage of the technology available to keep you abreast of things like real-time sales data for all your locations, no matter where you are.

When all's said and done, successful expansion relies on your ability to clearly articulate your vision and inspire people to carry it out everyday. The extended business has to embody the core spirit of your original mission.





A Strategy for Heading Towards the Exit

At a certain point, you may decide that it is time to move on from your business. Whether you're winding down a business that just didn't work out, retiring (and maybe opening that beach bar in Belize), or cashing in on the effort you've put into creating a lucrative enterprise, you will hopefully have established your end goal well in advance so that the time to strategically exit will be clear.

If you are looking to sell your business, it is important to engage a lawyer who is a business specialist to ensure you gain the best possible valuation. A small business is valued by assessing the potential ongoing income from the business over the coming few years. Normally this means that a business will be valued at three to five times net revenues, which can present a potential issue for particularly tax-savvy small business owners. Remember that every time you write off an expense against your business, you are lowering the net margin of the business. So, that dollar you saved by writing off the expense could cost you three to five dollars on the valuation of your business.

The Bottom Line

Small business owners can maintain steady, manageable growth by keeping a firm eye on costs and always aggressively looking for ways to increase sales and grow their brand. It can be difficult to empower staff and managers around you, especially if you've spent a long time steering the ship alone, but it is an essential part of successful expansion. Stay open to suggestions from your managers while making your current business best practices clear to them.

Having a clear understanding of your end goal when starting a small business will help you with decision making throughout the life of your endeavor. Plus, whenever it does come time to sell, your focus on that goal should put you in the best position to be successful with the sale.

Good luck with your small business, and as always if you have any questions, feel free to email us at theteam@shopkeep.com or reach out to us on one of our social media channels.

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“ I was using an old digital cash register when I started my business which led to many mistakes that became an extra cost. We looked into a computerized POS system, but it was going to cost about \$10,000 to setup. ”

Michele, Putter's Grill