

How to Start a Business

This guide is courtesy of The Greater Reading Chamber of Commerce website:

Step 1

Are you ready to pursue your dream?

The US Small Business Administration provides an assessment tool designed to help you better understand your readiness for starting a new business. It is simple to use and will take less than 5 minutes to complete. The tool will prompt you with questions and assist you in evaluating skills, characteristics and experience - as they relate to your preparedness for starting a business.

Your responses will be scored automatically and an assessment profile provided, when you click the submit button. You will also receive, based on your score, a statement of Suggested Next Steps, directing you to the most appropriate SBA resources to help improve your business preparedness.

To complete your assessment, go to <http://www.sba.gov/assessmenttool/index.html>.

Step 2

If you are ready, prepare a business plan based on sound business practices.

A business plan will serve as your guide to decision making during the life of your business, starting with the question of whether to start in the first place. The second use of a plan is to satisfy lenders and investors, virtually all of whom will require a written business plan before approving a loan or making an equity investment. Plans also serve as a means of communicating with potential partners, allies, vendors, employees and even customers.

1. *Before putting pen to paper, research resources and tools that can help.* In addition to books, software programs can automate the task. You can get live help from your local SBA office or Small Business Development Center, college and university classes, and private courses or conferences.

2. *Back up your concepts with numbers.* Keep in mind, a business plan is both qualitative and quantitative. A business plan is not just writing about what your vision of your business is. It's interpreting it in financial terms that you can measure. That means you'll need some numbers, as precise and accurate as possible, in addition to verbal descriptions of your plans.

3. *Be realistic when making projections.* One of the most frequent errors made when writing a business plan is over-estimating revenue and under-estimating expenses. Be conservative when estimating income and over when estimating expenses.

Improve revenue estimates by narrowing your target market down to a realistic niche, and then interpret revenue and expenses in terms of that market.

4. *At minimum, include monthly cash-flow projections for the first year.* Cash flow is the critical issue. Also prepare an overall projection of profit and loss for three years, as well as a projected balance sheet. Calculate the break-even point at which sales will cover costs.

5. *Pay special attention to marketing.* First, develop goals. Second, do a market analysis, including identifying target markets, researching competition and assessing market trends. Then prepare a marketing strategy, including your approaches to sales, promotions, advertising, PR, networking, community building, customer service and other marketing channels and tools.

The Chamber partners with various organizations that can assist you with preparing a business plan and help you start your business. Before requesting an appointment with a business counselor from one of these organizations, make sure you start working on your business plan. This way they will be better able to assist you and provide the help you need.

There are templates you can use a guides to help you prepare the business plan, but make sure you use your own words when writing the plan, don't use template wording. **You can find business plan templates at:**

[Small Business Administration \(SBA\)](#)

[SCORE - Counselors to America's Small Business](#)

[Kutztown University Small Business Development Center \(KU SBDC\)](#)

Step 3

Make sure your business is set up properly.

The information in this guide should not be construed to be legal or accounting counsel and it does not take the place of an attorney or CPA. Regulatory bodies frequently change their requirements and regulations. You should contact them directly if you have any questions.

1 - Determine the best legal structure for your business.

There are various types of legal structures for businesses, and there are advantages and disadvantages to each of these. Consult with a legal and accounting professional to determine which type is better for you based on your legal and tax needs, goals and type of business. Some types of legal structures have to be registered with the Department of State. The Chamber can provide you with a list of legal professionals that are members of the Chamber.

For more information on legal structures visit the SBA.

2 - File your business with the state if necessary.

Some types of business structures may require filing documents with the Office of the Secretary of the Commonwealth. These documents must contain specific information to comply with statutory requirements. For more information visit [PA Open for Business](#).

You may either use a professional, such as attorney, to help you register your business with the state, or you may do it yourself online at the state's website [PA Open for Business](#). To do it yourself online go to [PA Open for Business](#).

For more information on starting a business in the state of Pennsylvania visit [the PA Department of State's website](#).

3 - Find out if you need any special licensing or permits.

Depending on your profession, occupation, or type of work, you may need special licensing from the state or the local level. To determine if you need at the state level, contact the [Bureau of Professional and Occupational Affairs](#) at 717-787-8503; or [visit their website](#).

To determine if you need anything at the local level, contact the municipality in which the business will be located.

4 - Register your business name if it is a fictitious name.

Consult with your legal professional to determine if you need to register as a fictitious name with the PA Department of State. For more information on fictitious names or to get an application visit the [PA Department of State website](#).

You can find a list of names registered with the state at the [PA Department of State website](#). However, these searches are only preliminary checks and are not a guarantee of name availability.

For wider marketplace protection you can register through the U.S. Patent and Trademark Office [USPTO Trademark Search](#).

5 - Contact the municipality in which you plan to start the business.

Each municipality has different license and permit requirements, such as Business Privilege License, Certificate of Use and Occupancy, Zoning and Codes Approval and potentially land development approval. **Before you start your business** check with the municipality to learn their requirements. There may be special requirements or licenses for certain types of businesses. Also, check the Berks Earned Income Tax Bureau.

Check local zoning ordinances. If you are going to rent or buy a location to run your business, **before you sign any lease or purchase agreement** make sure it is properly zoned for the type of business you are going to start.

Home-based businesses require a zoning permit, depending on the municipality. Exeter Township does require a Home Occupation Zoning Permit for home based businesses.

6 - Contact the Internal Revenue Service (IRS).

You may need to obtain a Federal Employer Identification Number (EIN) for federal tax purposes. Generally, most businesses need an EIN. For more information on EIN visit the IRS website. You may apply for an EIN online.

The IRS will also help you determine the types of federal taxes your business is required to pay and can provide the necessary forms. To obtain this information, call 1-800-829-3676 or visit them at their website.

7 - Contact the PA Department of Revenue

There are different types of taxes businesses may be required to pay to the state. The state regional Taxpayer's Assistance Office can help you determine the types of state taxes your business will need to pay. You can contact them at 610-378-4401, visit them on the web at <http://www.revenue.state.pa.us/> or visit the local office at:

Department of Revenue
625 Cherry Street, Suite 239
Reading, PA 19601

8 - Other federal, state, and local considerations.

Determine necessary compliance with the state Workers' Compensation Act. For more information visit the PA Department of Labor and Industry's website or call them at 717-772-1917. Insurance agencies that deal with commercial insurance may also be able to answer your questions.

Determine necessary compliance with the Unemployment Compensation Act. For more information visit the PA Department of Labor and Industry website. Determine compliance with the Occupational Safety and Health Act (OSHA). For more information visit www.osha.gov or call the Allentown Area Office at 610-776-0592.

Determine compliance with Federal Income Tax Withholding, State Income Tax Withholding, Local Income Tax Withholding and Social Security Tax. For more information on Federal requirements visit the IRS web site. For more information on state requirements visit the PA Dept of Revenue's website or call the local office at 610-378-4401 For estimated tax requirements contact the Berks EIT Bureau or visit their website, BerksEIT.com.

If you have employees you must post mandated federal and state labor law posters. You may obtain an all-in-one federal poster and an all-in-one state poster. These are available at the Greater Reading Chamber of Commerce.

Depending on the type of business you are pursuing there may other registration or licensing required by the state, county or municipality where you plan to open your business.

9 - Hire or consult with an accountant.

An accountant can help you obtain and understand the above-mentioned forms. An accountant can also do the accounting for the business or help you set up an accounting system that fits your needs.

You may also want to consider contacting a payroll company. They can help you with the forms as well.

An accountant or a payroll company can help you process payroll, which can be a time consuming process.

10 - Consult with an insurance agent.

It is important to have the necessary and adequate insurance to protect yourself and your business from many hardships encountered by those who are not prepared. Some of the types of insurance a business owner should have are commercial auto, worker's compensation, health, liability, property and casualty, key-man life insurance and bonding.

11 - Establish a bank account for your business.

You should keep your personal account separate from your business account. No matter how small your business may be it is important to have a bank or credit union account specifically for your business. With the account you should get checks, a check card and online services. You should also consider opening a separate account to deposit collected sales taxes and withholding taxes.

12 - Secure adequate financing/funding.

Inadequate financing is one of the leading causes of small business failures. Determining the proper amount of capital and credit needed is essential. Having your own funds to invest into the business is the best way to leverage funding from other sources.

When determining the amount needed to start your business you must project the start-up capital (equipment, renovation, marketing, etc.) needed as well as the cash flow (salaries, rent, utilities, etc.) needed for the early stages of operation. Many small businesses fail because they did not properly project these costs. It may take money to make money, but that shouldn't be seen as an insurmountable barrier when you're just starting out. Sometimes people are overly intimidated because they think they're going to need to raise a large amount of money. It doesn't take a large amount of capital to get a business off the ground. Many highly successful businesses have been started for less than \$20,000. Here are keys to getting the financing you need:

1. *Consider self-financing.* The first place to look for financing is in your own pocket. One way to really get some momentum is self-financing. Many entrepreneurs do this through obvious ways, such as personal savings and a mortgage on the house, and ways that are less obvious, such as rolling credit card offers over so you always have a low interest rate. Many entrepreneurs start with a \$10,000 credit card featuring a low initial interest rate. Then, they use that until the low interest rate expires and start with another one.
2. *Try stakeholder financing.* Attempt to have a customer pay you in advance for something you are going to deliver in the future. Then, use those funds as seed capital. It's not as far-fetched as it may sound. Many entrepreneurs pay their own suppliers in advance.
3. *Look to friends and family.* No matter how well you work stakeholder financing, most new businesses still need more cash, and your best source of funding is friends and family. Parents, siblings and other relatives are obviously more motivated to help you than a disinterested banker. The interest rates and terms attached to money from family and friends are also much better than institutional sources will offer.
4. *Look to suppliers.* Your suppliers will often extend you really favorable terms, which is just another form of debt. Suppliers are more ready to extend credit than other lenders, especially when it comes to startups. Getting the option of paying in 30, 60, 90 or more days for supplies or inventory you receive may be another avenue.
5. *Include your landlord in your financing plans.* Many businesses start out at home in a garage operation. But at some point, especially if you have a retail operation, you'll need a storefront, and a landlord will often give entrepreneurs three months without needing to pay. Landlords may also do leasehold improvements for free; building out the space with features you'll need without any cost to you.
6. *Wait until you have some operating history before you approach banks.* Banks are generally interested in working with new businesses once they have sales, accounts receivable and short-term financing needs. Start with a revolving line of credit, pay it back, and earn the banker's trust until you qualify for larger, longer-term loans with better terms.

13 - Other important things to consider.

Location

Deciding on a location for your business is one of the most important and unchangeable decisions you'll make, but it's often an afterthought for many startups--which may end up on the fast track to a liquidation sale. Here's what to do *before* you call a realtor or landlord:

1. *Know your market.* If you're thinking of starting a service business such as an accounting practice, you may be considering your home as your business's habitat. If this is the case, don't just weigh the overhead expenses when making your decision. Also consider whether operating from home suits your product or service. Could potential customers be put off by the thought of doing business at your house? Or will customers overlook where you're located because selling will be done largely via phone, fax and the web? Keep in mind that there might be local zoning laws regulating where home-based businesses can be located, so check with the Exeter Township government before hanging your shingle. Also, it's a nice gesture to make sure your neighbors are OK with more foot traffic and fewer open parking spaces if you expect to receive customers at home.

2. *Gather some data.* A general profile of an economy can be helpful in deciding where to locate your business. A reliable, basic profile of whether a local economy is heavily dependent on one industry or sector is useful. The data will help you see trends and determine where your target customer shops.

3. *Think like the competition.* It's not an accident that the same large retailers--Home Goods, Michaels and Target, for example--locate within a stone's throw of each other. It may seem counterintuitive to settle right alongside the competition, but clustering can increase business and lead to cost savings in hiring and shipping, among other things. Becoming part of a cluster that attracts a much larger market can still make you better off than if you try to establish your own market in some virgin territory.

4. *Take to the streets.* Demographics on paper are one thing; actually spending time in your desired location is another. Not every field is a field of dreams. When visiting a potential location, is your gut reaction that this is an area in which you'd like to shop? Something seemingly small, like parking availability and expenses, can greatly impact the amount of foot traffic coming through your door. Also, consider your industry when choosing a location. If you're a quick, in-and-out type of business--like a latte shop or a dry cleaner--it pays to locate your business in a central part of town. These days, you may also want to consider whether you could convert the location to include a drive-thru window for added convenience.

5. *Ask questions.* Visit small stores in various locations to see how busy they are. If you're daring, you can ask if leasing at the location was worth it and how much turnover they see going on with stores in the area. You never know what you might hear. Being aware of whether you're running a day or night business is important as well.

Advisors

Certain aspects of your new business will require the help of a team of outside advisors. Your professional team should consist of the following: BLAIME

- Banker
- Lawyer
- Accountant
- Insurance Broker
- Mentor
- E-technologist

Choosing a name

Every business needs a name, and picking a cool, memorable moniker is the name of the game. But hiring a naming firm or advertising agency to help you can cost thousands of dollars. It's possible to name the company on your own--if you know how to do it. Start with a pen, some paper and a very perceptive ear attuned to everything going on around you. You want to have a mastering the name game:

1. *Think marketing.* First, decide on the advertising that will drive 90 percent of your business. Will you rely primarily on print ads, signage at your location, word-of-mouth, the internet,

Yellow Pages, radio or some combination? Depending on your answers to these questions, certain criteria become very important. Overdone alliterations, foreign words and domain names with hyphens are the kiss of death for websites and radio ads, where spelling and easy pronunciation are critical. If your business will be driven by the Yellow Pages, an old trick is picking a company name that starts with A, B or C so your ad will be placed toward the front of its section. But not every business can be named Aardvark or Abba, so you'll need to get creative.

2. *Scan the competition.* Compiling the names of local competitors offers a starting point for differentiating yourself. Do your competitors' names really fit the target market? Are the names too traditional while the customer is hip and cool, or vice versa? The answers will tell you what doesn't work, which can help you narrow your list of possibilities.

3. *Get brainstorming.* Do a brain dump of every possibility that comes to mind. Think of buzzwords that appeal to your potential customer and that the competition isn't using, and consider the result the customer wants from using your product or service.

4. *Check for negative connotations.* Names such as Cobweb Design, Goosechase and Wild Weasel, may sound clever, but they can leave potential customers with an unsettled feeling about your product or service before they even try it. Consider every word on your list for negative meanings, and ask friends and family how different words strike them. Scratch potential offenders off your list. If you're creating a website, ponder your company's name in a global marketplace so you don't offend an entire country.

5. *Check for trademarks.* More than one business owner has come up with a company name and put it out there, only to receive a cease and desist order that forces him or her back to the drawing board. Before you commit yourself in any way to commissioning a logo, putting up a website, making signage and so on, make sure the name is legally available. Check both with the state of Pennsylvania and the US Patent and Trademark office.

14 - Join the Greater Reading Chamber of Commerce & Industry.

The Greater Reading Chamber of Commerce provides networking and additional business resources to help ensure the success of your business. Go to the Chamber's website for a Membership Application.