



# STEPS TO STARTING A BUSINESS

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# Step 1: Conduct Market Research

- Gather information about businesses already in operation in the area in which you wish to start your business
- Gather information on potential customers that could contribute to your business (ex. family, population data on age, interests, wealth, etc.)
- Gathering the information will help you better understand the limitations and opportunities your business has for gaining customers
- To get a better understanding of your market research you can ask yourself questions such as the following:
  - Location: Where can your potential business reach and where do the potential customers live?
  - Economic indicators: What is the employment rate and the income range?
  - Market Saturation: How many similar operations are there already available to consumers in the area?
- Also keep up with the latest small business trends, and this will help you gain a sense of the specific market share that will impact your profits (chart on next page)

For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

Focus	Goal	Reference
General business statistics	Find statistics on industries, business condition	<a href="#">NAICS</a> , <a href="#">USA.gov Statistics</a> , <a href="#">Statistical Abstract of the United States</a> , <a href="#">U.S. Census Bureau</a>
Consumer statistics	Gain info on potential customers, consumer markets	<a href="#">Consumer Credit Data</a> , <a href="#">Consumer Product Safety</a>
Demographics	Segment the population for targeting customers	<a href="#">American FactFinder</a> , <a href="#">Bureau of Labor Statistics</a>
Economic indicators	Know unemployment rates, loans granted and more	<a href="#">Consumer Price Index</a> , <a href="#">Bureau of Economic Analysis</a>
Employment statistics	Dig deeper into employment trends for your market	<a href="#">Employment and Unemployment Statistics</a>
Income statistics	Pay your employees fair rates based on earnings data	<a href="#">Earnings by Occupation and Education</a> , <a href="#">Income Statistics</a>
Money and interest rates	Keep money by mastering exchange and interest rates	<a href="#">Daily Interest Rates</a> , <a href="#">Money Statistics via Federal Reserve</a>
Production and sales statistics	Understand demand, costs and consumer spending	<a href="#">Consumer Spending</a> , <a href="#">Gross Domestic Product (GDP)</a>
Trade statistics	Track indicators of sales and market performance	<a href="#">Balance of Payments</a> , <a href="#">USA Trade Online</a>
Statistics of specific industries	Use a wealth of federal agency data on industries	<a href="#">NAICS</a> , <a href="#">Statistics of U.S. Businesses</a>

For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

# Step 1 Continued....

- Market research can be done by using existing resources or doing direct research through the consumers
  - Using existing resources can save you time and energy, but the information can be not as specific to the audience as you'd like
  - Using direct research can be done through surveys, focus groups, in-depth interviews, and questionnaires
  - The Small Business Administration provides counseling services through the [resource partner network](#) on guidance when deciding which methods are worthwhile
- Using competitive analysis can help you learn from businesses competing for potential customers against you
- Make sure to differentiate your competitive analysis by industry, and you can do so by using [Porter's Five Forces analysis](#)



How To Conduct Great  
Market Research For Small  
Business

For more information visit: <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>



# Step 3: Calculate Your Startup Costs

- Calculating startup costs helps you:
  - Estimate profits, do a breakeven analysis, secure loans, attracts investors, save money with tax deductions
- Identify your startup expenses
  - Office space, communications, insurance, inventory, advertising and marketing,, printed marketing materials, equipment and supplies, making a website, utilities, license and permits, lawyer and accountant, employee salaries, and market research are all expenses to consider when identifying your startup expenses
- Estimate how much your expenses will cost
  - Some expenses will be easier to estimate (permits and license, etc.), but others (employee salaries or example) will not be as easy
- Add up your expenses for a full financial picture
  - You should categorize your expenses into monthly expenses and one-time expenses
    - Ex. Monthly expenses – utilities, salaries, rent
    - Ex. One-time expenses – paying for permits, licenses, major equipment
- Use your startup cost calculations to get startup finding
  - Create a formal report of your expected startup costs
  - Making sure it is formal and clear to understand is key for potential investors and lenders of your business



For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/calculate-your-startup-costs>

# Step 4: Fund Your Business

- Having your business plan will help you better understand how much money you will need to start your business operation
- Once you find out how much money you will need for startup funds, then you will need to figure out how you will get those funds.
  - You can self-fund your business, seek investors, or borrow the money through loans
- If you wish to seek investors for funding, here are examples of the following steps to take:
  - Find the investor – seeking individual investors or venture capital firms can be beneficial, but be sure to do plenty of research to confirm that the investor has experience in starting up a business
  - Share the business plan – investors will review business plans to confirm that it meets their investing criteria
  - Go through due diligence review – investors will review your financial statements, products and services, company's management team, corporate governance documents, and market
  - Work out of terms – if the investors are interested, the next step is to agree on a terms and conditions document describing the terms and conditions of the funds to make an investment
  - Investment – once the terms and conditions document is signed, you are granted the investment

For more information visit: <https://www.sba.gov/business-guide/plan-your-business/fund-your-business>



# Step 4 Continued...



- Use crowdfunding to fund your business
  - Crowdfunder's are not investors, because they don't receive a share of ownership in the business and don't expect financial return on their money, but instead expect a "gift" as a thank you for their contribution
    - Examples of a gifts are special perks, products you plans to sell, etc.
- Get a small business loan
  - If you want to retain complete control of your business, but don't have enough finds to start, consider a small business loan
  - Having a business plan, expense sheet, and financial projections for the next five years will help you have an idea of how much to ask for
- Use lender match to find lenders who offer SBA-guaranteed loans
  - If having trouble getting traditional loans, consider looking into SBA-guaranteed loans
- Small Business Administration investment programs
  - Small Business Investment Company (SBIC) – privately owned and managed investment funds licensed and regulated buy the Small Business Administration; use their own capital, plus funds borrowed with an SBA guarantee, to make equity and debt investments in qualifying small businesses.
  - Small Business Innovation Research (SBIR) program – encourages small businesses to engage in federal research and development that has the potential for commercialization
  - Small Business Technology Transfer (STTR) program – offers funding opportunities in the deferral innovation research and development arena; small businesses who qualify for this program work with nonprofit research institutions in the early stages of starting

For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/fund-your-business>



# Step 5: Buy An Existing Business Or Franchise

- Franchising gives you more guidance but less control
  - A franchisees a business model where one business owner cells the rights to their business name, logo and model to an independent entrepreneur. (ex. Restaurants, hotels, service-oriented business, etc.)
  - There are 2 common forms of franchising: product/trade name and business format
    - Product/trade name franchising: the franchiser owns the right to the name or trademark of a business, and sells the right to use the name and trademark to a franchise; normally focuses on supply chain management; typically products are manufactured or supplied by the franchiser and delivered to the franchisee to sell
    - Business format franchising: the franchiser and franchisee have an ongoing relationship; normally focuses on full-spectrum management; typically, franchiser offers services like site selection. Training, product supply, marketing plans, and even help getting funding
- Buying an existing business gives you more control but less guidance
  - The buyer typically takes over full ownership of the business
  - Having an existing blueprint that includes important factors like an established customer base, defined operating expenses, and fully trained employees will be the largest advantage
  - When buying an existing business, typically one gets complete control over its direction ( with no set vision, external guidance, or infrastructure, your business could struggle as you figure out the best way to run things

For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/buy-existing-business-or-franchise>

# Step 5 Continued...

- Consider these three factors before buying or franchising a business:
  - 1. qualify your investment: review your financial landscape and decide how much you're willing to spend to purchase and manage the business; this helps you determine what type of business or brands are best for your budget
  - 2. consider your talents and lifestyle: be honest about your skills and experience and it will help you eliminate unrealistic business ventures
  - 3. Review the full landscape: look at existing infrastructure and make sure to understand everything that comes with the purchase; ask questions about contracts, leases, existing cash flow, and inventory to help you make a confident decision
- Getting ready to buy your business or franchise
  - An attorney and an accountant combined can help you create and evaluate important documents which include:
    - Letter of intent, contracts and leases, tax returns, purchase price adjustment, confidentiality agreement, sales agreement, and financial statements



For more information, visit: <https://www.sba.gov/business-guide/plan-your-business/buy-existing-business-or-franchise>

# Step 6: Pick Your Business Location

- Factors to consider when you are searching for a location for your business, are as the following:
  - region-specific business expenses
  - local zoning ordinances
  - state and local taxes
  - state and local government incentives
  - federal government incentives



For more information visit: <https://www.sba.gov/business-guide/launch-your-business/pick-your-business-location>

# Step 7: Choose A Business Structure

- Choosing the right business structure for your business will affect elements such as paperwork you will need to file, the ability to raise money for the business, the cost of taxes you will pay, and personal liability
- Choosing a business structure is the first step to take before you register your business in the state.
- Then, you will need to get a tax ID number and file for the licenses and permits that correctly categorizes your business
- To assure that you're taking the correct steps and filling out all the information and forms correctly, attorneys, business counselors, and accountants can assist you
- Common structures for business are as the following:
  - Sole proprietorship, partnership, limited liability company (LLC), corporation, and cooperative
- Combining different business structures is a possibility to if taking the correct steps and speaking with an attorney or business counselor; less commonly seen
- The next page displays a chart categorizing the different types of business structures, including the ownership, liability and taxes for each

For more information visit: <https://www.sba.gov/business-guide/launch-your-business/choose-business-structure>

Business Structure	Ownership	Liability	Taxes
Sole Proprietorship	One Person	Unlimited Personal Liability	Personal Taxes Only
Partnerships	Two or More People	Unlimited Personal Liability (Unless Structured As A Limited Partnership)	Self-Employed tax (Except for Limited Partners) Personal Tax
Limited Liability Company (LLC)	One or More People	Owners Are Not Personally Liable	Self-Employed Tax Personal Tax or Corporate Tax
Corporation – C Corp	One or More People	Owners Are Not Personally Liable	Corporate Tax
Corporation – S Corp	One or More People, But No More Than 100, And All Must Be U.S. Citizens	Owners Are Not Personally Liable	Personal Tax
Corporation – B Corp	One or More People	Owners Are Not Personally Liable	Corporate Tax
Corporation – Nonprofit	One or More People	Owners Are Not Personally Liable	Tax-Exempt, But Corporate Profits Can't Be Distributed

# Step 8: Choose Your Business Name

- Choosing a business name can be the most exciting part of creating your dream business, so once you've chose the right name, you'll need to register your business name to protect it
- There are four different ways you can register your businesses name, and each has a different purpose; some registrations may be legally required depending on the location and structure of your business
  - The four different ways to register your business are entity name, trademark, DBA, and domain
    - Entity name – how the state identifies your business; each state has different rules about using suffixes and the name; protects your business and prevents anyone else in the state form operating under the same name
    - Trademark – can protect your business name, goods, and services on a national level; prevents others form using your name (in the U.S.)
    - DBA (Doing Business As) – doesn't provide protection by itself, but is required by most states; let's you conduct business under a different identity form your own personal name or your formal business entity name; allows you to open a business bank account if you get a DBA and a federal tax ID number (EIN)
    - Domain name – allows you to have an online presence, website address or URL; no on else can use once registered, if you still own the business; register domain name through a registrar service

For more information visit: <https://www.sba.gov/business-guide/launch-your-business/choose-your-business-name>

# Step 9: Register Your Business

- Registering your business makes it a distinct legal entity
- The location and business structure determine how you should register your business
- Registering with federal agencies will help you get a federal tax ID for your business
- If your business is categorized as a corporation, LLC, nonprofit corporation, or a partnership, you will most likely need to register with the state in which your business is in
- If your business is categorized as a corporation, LLC, nonprofit corporation, or partnership, you will most likely need a registered agent in the state in which your business before you file
- If your business is categorized as a corporation, LLC, nonprofit corporation, or partnership that conducts business activities in more than one state you may need to form your business in one state and then file for a foreign qualification in the other states where your business is active in
- Filing state documents and fees will vary depending on the state you register in and the business structure
- Information you will need to file the state and legal documents are the business name, business location, ownership, management structure, or directors, registered agent information and number and value of share (if a corporation)



For more information, visit: <https://www.sba.gov/business-guide/launch-your-business/get-federal-state-tax-id-numbers>



Business Structure	Document	Description
LLC	Articles of organization	Articles of organization is a simple document that describes the basics of your LLC. It includes business information like the company name, address, member names, and the registered agent.
LLC	LLC Operating Agreement	An operating agreement describes the structure of your company's financial and functional decisions. It defines how key business decision are made, as well as each member's duties, powers, and responsibilities, its widely recommended to create one to protect yourself and your business, even if your state doesn't mandate it.
Limited Partnership	Certificate of Limited Partnership	This simple document describes the basics of your limited partnership. It notifies the state of the partnership's existence and contain basic business information like the company name, address, and partner names. Not all states require it, and some state call it by a different name.
Limited Liability Partnership	Limited Partnership Agreement	A limited partnership agreement is an internally binding document between all partners that defines how business decisions get made, each partner's duties, powers, and responsibilities, it's widely recommended to create one to protect yourself and your business, even if your state doesn't mandate it.
Limited Liability Partnership	Certificate if Limited Liability Partnership	This simple document describes the basics of your limited liability partnership. It notifies the state of the partnership's existence and contains basic business information like the company name, address, and partner names. Not all state require it, and some states call it by a different name.
Limited Liability Partnership	Limited Liability Partnership Agreement	A limited liability partnership agreement is an internally binding document between all partners that defines how business decisions get made, each partner's duties, power, and responsibility. Its widely recommended to create one to protect yourself and your business, even if your state doesn't mandate it.
Corporation (any kind)	Articles of Incorporation	The articles of incorporation – or a certificate of incorporation – is a comprehensive legal document that lays out the basic outline of your business. Its required by every state when you incorporate. The most common information included is the company name, business purpose, number of shares offered, values of shares, directors, and officers.
Corporation (any kind)	Bylaws or Resolutions	Bylaws (called resolutions for nonprofits) are the internal governance documents of a corporation. They define how key business decisions are made, as well as officer and shareholder's duties, powers, and responsibilities. Its widely recommended to create one to protect yourself and your business, even if your state doesn't mandate it.

# Step 10: Get Federal and State Tax IDs

- Your state tax ID and federal tax ID numbers are known as the Employer Identification Number (EIN), which are like a personal social security number for your business
- These numbers allow your business to pay state and federal taxes
- Getting a federal tax number is needed for paying federal taxes for your business
- Your business will need a federal tax number if it does any of the following:
  - Files tax returns for employment, excise, or alcohol, tobacco, and firearms
  - Pays employees
  - Withholds taxes on income, other than wages, paid to a non-resident alien
  - Uses a Keogh Plan (a tax-deferred pension plan)
- Getting a state tax ID is for paying state taxes
  - In some cases you can use state tax ID numbers for other functions, such as identity theft
  - When attaining a state ID number, it is like attaining a federal tax ID number but is different in each state (check with the state government for specific steps)

For more information visit: <https://www.sba.gov/business-guide/launch-your-business/get-federal-state-tax-id-numbers>

# Step 11: Apply For License and Permits

- When businesses are regulated by a federal agency, a federal license or permit is required
  - The fees and requirements depend on the business activity and the agency that is issuing the permit (check with the agency issuing the permit for more details on the cost of the business license)
  - On the following slide is a chart listing businesses and activities (also check with the correct federal agency to see how to apply)
- Business license fees will vary and the license and permits you will need from the city, county, or state will depend on the activities your business performs and the location of your business
  - Some licenses and permits will expire after a certain amount of time, so you will need to keep track and renew them
  - Some states regulate a broader range of activities than federal government. (ex. Farming, restaurants, construction, retail, auctions, etc.)



For more information visit: <https://www.sba.gov/business-guide/launch-your-business/apply-licenses-permits>

Business Activity	Description	Issuing Agency
Agriculture	If you import or transport animals, animal products, biologics, biotechnology or plants across state line.	U.S. Department of Agriculture
Alcoholic Beverages	If you manufacture, wholesale, import, or sell alcoholic beverages at a retail location.	Alcohol Tobacco Tax and Trade Bureau Local Alcohol Beverage Control Board
Aviation	If your business involves operating aircraft, transporting goods or people via air, or aircraft maintenance.	Federal Aviation Administration
Firearms, ammunition and explosives	If your business manufactures, deals, or imports firearms, ammunitions, and explosives	Bureau of Alcohol, Tobacco, Firearms and Explosives
Fish and wildlife	If your business engages in any wildlife related activity, including the import or export of wildlife and derivative products.	U.S. Fish and Wildlife Service
Commercial fisheries	If your business engages in commercial fishing of any kind.	National Oceanic and Atmospheric Administration Fisheries Service
Maritime transportation	If you produce ocean transportation or facilitate the shipment of cargo by sea.	Federal Maritime Commission
Mining and drilling	If your business is involved in drilling for natural gas, oil, or other mineral resources on federal lands.	Bureau of Safety and Environmental Enforcement
Nuclear energy	If your business produces commercial nuclear energy, is a fuel cycle facility, or is involved in distribution and disposal of nuclear materials.	U.S. Nuclear Regulatory Commission
Radio and television broadcasting	If your business broadcasts information by radio, television, wire, satellite, or cable.	Federal Communications Commission
Transportation and logistics	If your business operates an oversize or overweight vehicle. Permits for oversize and overweight vehicles are issued by your state government, but the U.S. Department of Transportation can direct you to the correct state office.	

# Step 12: Open A Business Bank Account

- When you start to spend or accept money as a business, you should open a bank account for your business
  - Most Common accounts for business are a checking account, a savings account, a credit card account, and a merchant services
    - A merchant services account will allow you to accept credit and debit card transactions for customers at your business
- Most bank accounts for businesses offer perks which don't come with standard personal bank accounts
  - Protection: this offers limited personal liability protection by keeping your business funds separated from your personal funds
  - Professionalism: this allows you to authorize employees to handle day-to-day banking tasks of behalf of the business, and customers will be able to make payments with debit/credit cards and checks out to your business instead of you directly
  - Preparedness: a business can usually come with the option for a line of credit for the company, which can be used in an emergency, or if your business would need new equipment
  - Purchasing power: credit card accounts can help businesses make large purchases such as startup purchases, and help establish credit history for your business

For more information, visit: <https://www.sba.gov/business-guide/launch-your-business/open-business-bank-account>

# Step 12: Continued...

- Shop around to find a bank account with low fees and good benefits
  - Some things to consider when opening a business checking and/or savings account are transaction fees, minimum account balance fees, interest rates for savings and checking, introductory offers, early termination fees, and interest rates for lines of credit
  - Some things to consider when opening a merchant services account are the transaction fees, monthly minimum fees, discount rates, address verification service (AVS) fees, and the ACH daily batch fees
- Get documents you need to open a business bank account
  - Once you have chose a bank that suites your business the best, some documents that the bank will require are as the following:
    - Employer Identification Number (EIN) (or a social security number, if you're a sole proprietorship)
    - Your business's formation documents
    - Ownership agreements
    - Business license



For more information, visit: <https://www.sba.gov/business-guide/launch-your-business/open-business-bank-account>

# Step 13: Get Business Insurance

- The protections you get from choosing a business structure like an LLC or a corporation typically only protect your personal property from lawsuits, and even that protection is limited.
- Six common types of business insurance are listed in the chart below:

Insurance Type	Who It's For	What It Does
General liability insurance	Any business	This coverage protects against financial loss as the result of bodily injury, property damage, medical expenses, libel, slander, defending lawsuits, and settlement bonds or judgements.
Product liability insurance	Businesses that manufacture, wholesale, distribute, and retail a product	This coverage protects against financial loss as a result of a defective product that causes injury or bodily harm
Professional liability insurance	Businesses that provide services to customers	This coverage protects against financial loss as a result of malpractice, errors, and negligence
Commercial property insurance	Businesses with a significant amount of property and physical assets	This coverage protects your business against loss and damage of company property due to a wide variety of events such as fire, smoke, wind, and hail storms, civil disobedience and vandalism
Home-based business insurance	Businesses that are run out of the owner's personal home	Coverage that's added to homeowner's insurance as a rider can offer protection for a small amount of business equipment and liability coverage for third-party injuries
Business owner's policy	Most small business owners, but especially home-based business owners	A business owner's policy is an insurance package that combines all of the typical coverage options into one bundle. They simplify the insurance buying process and can save you money



# Step 13 Continued...

- Four steps to buy business insurance:
  - Step 1. Assess Your Risks: think about what kind of accidents, natural disasters, or lawsuits could damage your business. If you need help, the National Federation of Independent Business (NFIB) provides information for choosing insurance to help you assess your risks and to make sure you've insured every aspect of your business
  - Step 2. Find A Reputable Licensed Agent: Commercial insurance agents can help you find policies that match your business needs, they receive commissions for insurance companies when they sell policies, so it's important to find licensed agent that's interested in your needs as much as his/her own
  - Step 3. Shop Around: Prices and benefits can vary significantly, you should compare rates, terms. And benefits for insurance offers from several different agents
  - Step 4. Re-Assess Every Year: As your business grows, so do your liabilities. If you purchased or replaced equipment or expanded operations, you should contact your insurance agent to discuss changes in your business and how they affect your coverage



For more information, visit: <https://www.sba.gov/business-guide/launch-your-business/get-business-insurance>