



Small Business.

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INTRO TO
ENTREPRENEURSHIP



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Brought to you by:

- Michigan Small Business & Technology Development Center
- Michigan Works! The Job Force Board

“We Take Care of Business”



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Presenters

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-
- Joel Schultz - Regional Director
 - Jim Beauchamp – Sr. Business Consultant
 - Lance Wolfe- Business Consultant
-

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MI-SBTDC Region 1 Locations





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Getting There from Here...

- Do I have what it takes
 - Ways to start a business
 - Money for what/Sources to obtain
 - Business Plan
 - Checklist for starting a business
-



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Getting There from Here...

- Employer identification number
 - Sales tax registration
 - Causes for business failure
 - Evaluation
-



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Do I Have What it Takes?

ARE YOU...

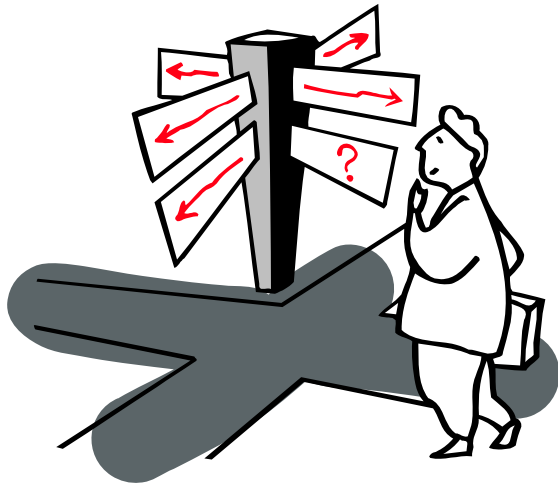
- Knowing why you're going into business?
- Selecting the right type of business?
- A self starter?
- Good at making decisions?
- Able to have physical and emotional stamina?
- Able to plan, organize and follow through?
- Able to balance your business and family life?

(Business Goals vs Personal Goals)

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Ways to Start a Business



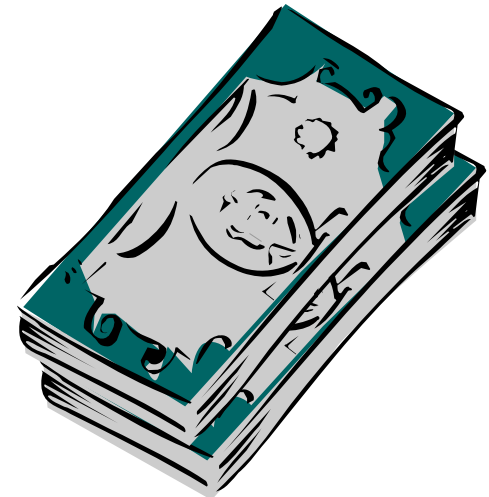
- From Scratch
- Buy an Existing Business
- Buy Assets
- Buy a Franchise
- Buy a Turn-Key Operation
- Inherit a Business
- Join a Business

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Money For What???

- Facilities – Space
- Fixtures – Equipment
- Improvements
- Legal & Professional Fees
- Beginning Inventory
- Office Supplies

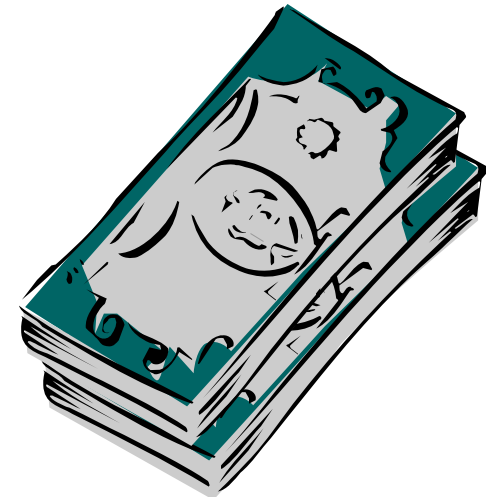


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And Money For What Else???

- Initial Wages & Benefits
- Customer Credit Extensions
- Initial Marketing & Advertising
- Computer Hardware & Software
- Utilities & Communications
- Insurance





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Sources of Seed Capital

○ Personal Savings	78.5%
○ Bank Loans	14.3%
○ Family	12.9%
○ Partners	12.4%
○ Friends	9.0%
○ Venture Capital	6.3%
○ Mortgaged Property	4.0%
○ Government Guarantee	1.1%
○ All Others	3.4%

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Where Can You Get Money?

- Personal Savings
- Home Equity
- Cash Value of Life Insurance
- Credit Cards
- Retirement Plans
- Garage Sales – really?!
- Borrow Against Other Assets
- Keep Your Day Job?!



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Where Can You Get Money?

- Friends and Relatives
- Find a Partner
- Reinvestment of Positive Cash Flow
- Banks
- Seed Capital vs. Venture Capital

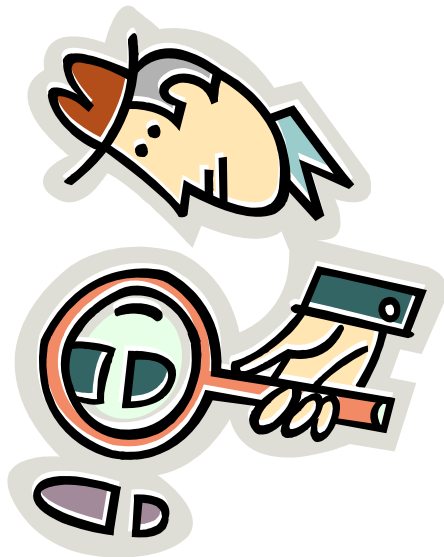


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Where Can You Get Money?

**Outside Investors Will Require an
“Exit Strategy”**



- Maybe You Should Too.

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Getting Credit - The “C’s”

- Credit
- Capacity
- Capital
- Collateral
- Character
- Conditions
- Commitment
- Cash Flow



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Ways to Reduce Financial Need

- Vendor Credit
- Lease or Rent
- Installment Purchases
- Avoid Extending Credit
- Collect Receivables
- Barter



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Ways to Reduce Financial Need

- Turn Inventory Rapidly
- Use Franchiser Credit
- Delay “Fixing Up”
- Target Start-up Marketing
- Use Free Professional Services



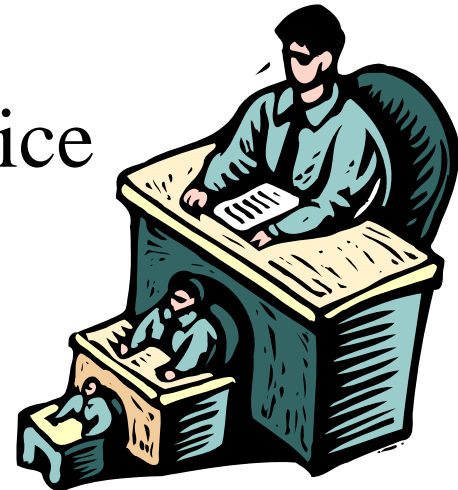
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Ways to Reduce Financial Need

Spend Money Only If It:

- Creates New Customers
- Improves Your Product or Service
- Reduces Costs



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THE PLAN!

Your Road Map To Success:



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The Business Plan Includes:

- Executive Summary
- Business Section
- Marketing Section
- Financial Section
- Financial Projections
- Attachments



Executive Summary

- aka Statement of Purpose
- aka Mission Statement
- Short & Concise
- Identify Audience





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Business Section:

- Legal Structure of Your Business
 - Description of Business
 - Location
 - Management
 - Personnel
 - Record keeping
 - Insurance
-



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The Structure

	Regulation	Start-up cost and registration	Entity & Life	Liability	Taxation
Sole Proprietor	Least Regulated	Low County	Tied to Individual	Unlimited	Individual - Schedule "C"
Partnership	Limited Regulation	Low County	Tied to Partners	Partners Liable	Shared Schedule "C"
Limited Liability Company	Limited Regulation	Relatively Inexpensive State	As agreed to by Members	Limited to Assets of company	May choose to be taxed as partnership
Corporation "C" corp "S" corp (IRS election)	Most regulated	Most Expensive State	Perpetual Legal Entity	No Individual Liability	Double taxation

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The Business Description

- What is your Product or Service?
- What are its Features and Benefits?
- Have You Done Any Market Research?



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The Business Description

- How Will You Be Different From The Competition?
- Hours of Operation
- Environment
- No Surprises



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Location...Location...

- Size
- Zoning
- Accessibility
- Cost
- Proximity to Customers



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Location!

- Visibility
- Special Requirements
- Traffic
- Parking



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Home-Based? To Be or Not To Be

PROS

- Lower Start-up Costs
- Lifestyle Flexibility
- Lower Overhead
- No Commuting
- Tax Benefits

CONS

- Household Interference
- Security Concerns
- Space Limitation
- Isolation
- Zoning
- Tax Implications
- Professionalism

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MANAGEMENT

- Identify all functions to be performed
- Who will do?
- Qualifications
- Identify as strengths (contractual services)



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Personnel

- Identify job descriptions
 - Hours required
 - Rate of pay
- Identify favorable qualification
 - Experience
 - Education
- Employee vs. Independent Contractor
- Training Cost



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Professional Resources



- Accountant/Bookkeeping
 - Attorney
 - Banker
 - Insurance Agent
 - Subcontractors
-

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Record Keeping

- Financial
- Accounts Receivable
- General Ledger
- Taxes
- Payroll
- Equipment
- Employee



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Insurance.....



- Liability
- Worker's Compensation
- Content
- Structure
- Automobile / Fleet

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And More Insurance.....



- Group Life
- Medical
- Disability
- Business Interruption
- “Key Man”

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Marketing Section

- Target Market
- Competition
- Distribution of Product or Service
- Advertising
- Pricing



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The Business of Business

--is Creating Customers

The Profit of a Company
is a Measure
of How Effectively That is Done



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The Market – Creating and Defining Your Niche!



- Define the Target
- Determine Their Number and Location
- Do You Have a Unique Message?

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The Market – Creating and Defining Your Niche!



- How Will You Blend:
 - Advertising
 - Publicity
 - Promotion
- Is It Realistic – Cost Effective - Legal?

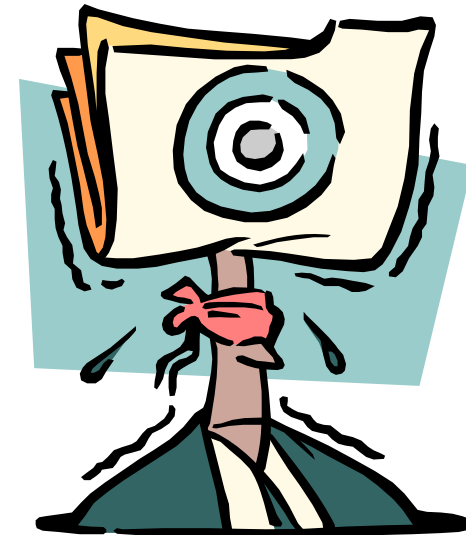
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The Market –

Through Research You Can Determine:

- The Size of the Target Market
- Who is the Target Market?
 - Income
 - Age
 - Location
 - Education
 - Spending Patterns
 - Gender
 - Ethnicity
- Is the Overall Market Growing?



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The Competition!!

- Describe Direct and Indirect Competitors
- Perform a SWOT Analysis
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats



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The Competition!!

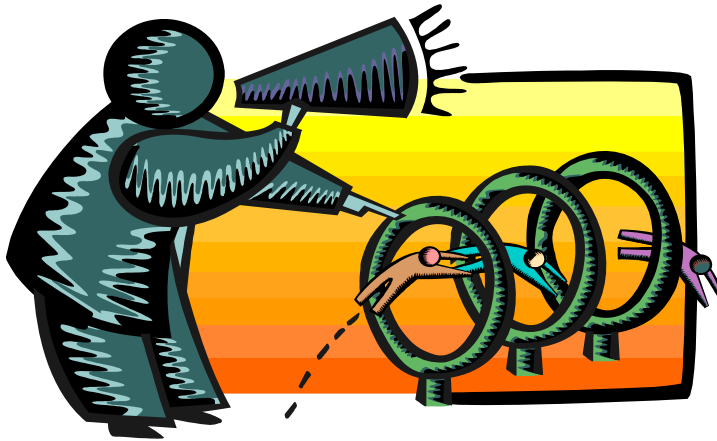
- Take into Account:
 - Financial Strength
 - Name Recognition
 - Reputation
 - Established Channels
 - Habit Patterns
 - Location – Access –
Traffic Patterns



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Distribution - Where business takes place



- Delivery
- Shipping options
- FOB

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Advertising

- Media
- Does it address target market
- Frequencies
- Web sites
- Signage
- Word of mouth

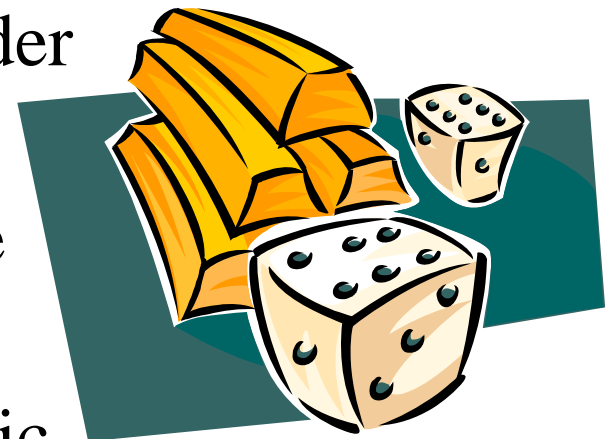


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PRICING!

- Cost Base
- Going Rate – Follow The Leader
- Image Pricing – Exclusivity
- Service Pricing – Convenience
- Slow Entry
- Loss Leaders – Generate Traffic

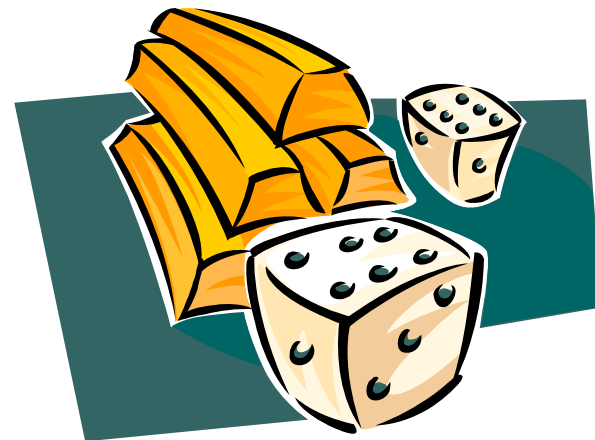


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PRICING!

- Seeding – Rapid Market Development
- Flexible Markups – Refresh Inventory
- Volume Discounts
- What The Market Will Bear – Total Profit



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Financial Section

- Loan Amount Requested
- Historical Information on the Business



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The Financial Information

- Historical Records
- Profit & Loss (Income Statement)
 - Monthly 2-years
- Beginning Balance Sheet
- Cash Flow Projections
 - Monthly 2-years



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The Financial Information

- Debt Service Coverage
- Return on Investment
- Industry Comparisons
- Contingency Plan



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Attachments.....

- Resumes of the Owner(s) and Key Managers
- Credit Reports
- Copies of Leases
- Letters of Reference
- Contracts
- Legal Documents
- Misc. Documents



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Checklist for Starting a Business:

- Determine the Legal Structure
- Register the Business Name
- Obtain Licenses and Permits
- Register for Federal and State Taxes
- Employees?
- Zoning Issues
- Insurance
- Utilities



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Business Plan Mistakes

- Lack of Competitive Assessment
- Unidentified Opportunity
- Disorganized or Unfocused
- No Sustainable Advantage
- Inadequate Market Share
- Unidentified Risks



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Business Plan Mistakes

- No Contingency Plans
- Overstated Strengths
- Unrealistic Projections
- Lack of a Sales Plan
- Under-estimated \$\$ Needs





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Employer Identification Number

- Do you need an EIN?
- Do you need a *new* EIN?
- How to apply for an EIN?
- How long will it take to get a number?
- www.irs-tax-id-number.com/

SS4 – Application for
Employer ID Numbers (EINs)

Form **SS-4**

(Rev. December 2001)
Department of the Treasury
Internal Revenue Service

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

See separate instructions for each line. Keep a copy for your records.

GIN

OMB No. 1545-0047

Type or print clearly.	1 Legal name of entity (or individual) for whom the GIN is being requested		
	2 Trade name of business (if different from name on line 1)		3 Executor, trustee, "care of" name
	4a Mailing address (room, apt., suite no. and street, or P.O. box)		5a Street address (if different) (Do not enter a P.O. box.)
	4b City, state, and ZIP code		5b City, state, and ZIP code
	6 County and state where principal business is located		
	7a Name of principal officer, general partner, grantor, owner, or trustee		7b SSN, TIN, or EIN
8a Type of entity (check only one box)			
<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Partnership <input type="checkbox"/> Plan administrator (SSN) _____ <input type="checkbox"/> Corporation (enter form number to be filed) <input type="checkbox"/> Trust (SSN of grantor) _____ <input type="checkbox"/> Personal service corp. <input type="checkbox"/> National Guard <input type="checkbox"/> State/local government <input type="checkbox"/> Church or church-controlled organization <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military <input type="checkbox"/> Other nonprofit organization (specify) <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal government/enterprise <input type="checkbox"/> Other (specify) _____ Group Exemption Number (GEN) _____			
8b If a corporation, name the state or foreign country (if applicable) where incorporated		State _____ Foreign country _____	
9 Reason for applying (check only one box)			
<input type="checkbox"/> Started new business (specify type) _____ <input type="checkbox"/> Banking purpose (specify purpose) _____ <input type="checkbox"/> Hired employees (Check the box and see line 12.) <input type="checkbox"/> Changed type of organization (specify new type) _____ <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Purchased going business <input type="checkbox"/> Other (specify) _____ <input type="checkbox"/> Created a trust (specify type) _____ <input type="checkbox"/> Created a pension plan (specify type) _____			
10 Date business started or acquired (month, day, year)		11 Closing month of accounting year	
12 First date wages or annuities were paid or will be paid (month, day, year). Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year) _____			
13 Highest number of employees expected in the next 12 months. Note: If the applicant does not expect to have any employees during the period enter "0." _____			
14 Check one box that best describes the principal activity of your business.			
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Other (specify) _____ <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail			
15 Indicate principal line of merchandise sold; specific construction work done; products produced; or services provided.			
16a Has the applicant ever applied for an employer identification number for this or any other business? <input type="checkbox"/> Yes <input type="checkbox"/> No Note: If "Yes," please complete lines 16b and 16c.			
16b If you checked "Yes" on line 16a, give applicant's legal name and trade name shown on prior application if different from line 1 or 2 above. Legal name _____ Trade name _____			
16c Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known. Approximate date when filed (mo., day, year) _____ City and state where filed _____ Previous EIN _____			
Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's GIN and answer questions about the completion of this form.		
	Designee's name	Designee's telephone number (include area code) _____	
	Address and ZIP code	Designee's fax number (include area code) _____	
Under penalty of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.			
Name and title (type or print clearly) _____		Applicant's telephone number (include area code) _____	
Signature _____		Applicant's fax number (include area code) _____	
Date _____			



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Registration for Michigan Business Taxes

- www.michigan.gov/treasury

Business

Register for Michigan Taxes

Complete Registration Booklet (518)

--or--

- Call (800)367-6263

Michigan Department of Treasury

▶ 20. Enter the month, numerically, that you close your tax books (for example, enter 12 for December) _____ ▶ 20.

▶ 21. **Seasonal Only:** (Your business is not open continuously for the entire year)

a. Enter the month, numerically, this seasonal business opens _____ ▶ 21a.

b. Enter the month, numerically, this seasonal business closes _____ ▶ 21b.

Note: If you are registering to sell at only one or two events in Michigan per year, do not submit this registration form. Instead, file a Concessionaire's Sales Tax Return and Payment (Form 2271). This form can be obtained on Treasury's internet site at www.michigan.gov/treasurynewbusiness, or by calling toll-free 1-800-367-8283.

▶ 22. Check this box if you use a payroll service that produces your payroll checks and sends income tax withholding payments to the State and Federal Governments. Attach a Payroll Service Provider Combined Power of Attorney/Authorization and Corporate Officer Liability (COL) Certificate for Business (Form 3683). This form can be obtained on Treasury's internet site at www.michigan.gov/treasurynewbusiness, or by calling toll-free 1-800-367-8283.

Enter the name of your payroll service provider: _____

▶ 23. If you are incorporating an existing business, or if you purchased an existing business, list previous business names and account numbers, if known.

Business Name and Address	Account Number

24. If you purchased an existing business, what assets did you acquire? Check all that apply and complete UC Schedule B.

Land Building Furniture and Fixtures Equipment Inventory Accounts Payable Goodwill

25. **Motor Fuel/Commercial Carrier Tax:**

a. Will you operate a terminal or refinery? _____ 25a. Yes No

b. Do you own a diesel-powered vehicle used for transport across Michigan's borders with three or more axles or two axles and a gross vehicle weight over 26,000 lbs? _____ 25b.

c. Will you transport fuel across Michigan's borders? _____ 25c.

26. **Tobacco Tax:**

a. Will you sell tobacco products to someone who will offer them for sale? _____ 26a.

b. Will you operate a tobacco products vending machine? _____ 26b.

(1) If yes, do you supply tobacco products for the machine? _____ 26b1.

(2) If you do not supply the tobacco products, name the supplier: _____

Complete all the information for each owner, partner or corporate officer (do not include shareholders who are not officers). Attach a separate list if necessary.

▶ 27. Name (Last, First, Middle, Jr/Sr/II)		Title
Social Security Number	Driver's License/Michigan Identification	Date of Birth
▶ 28. Name (Last, First, Middle, Jr/Sr/II)		Title
Social Security Number	Driver's License/Michigan Identification	Date of Birth
▶ 29. Name (Last, First, Middle, Jr/Sr/II)		Title
Social Security Number	Driver's License/Michigan Identification	Date of Birth
▶ 30. Name (Last, First, Middle, Jr/Sr/II)		Title
Social Security Number	Driver's License/Michigan Identification	Date of Birth

Questions regarding this form should be directed to the Department at 517-636-4660. Submit this form six weeks before you intend to start your business. MAIL TO: Michigan Department of Treasury FAX TO: 517-636-4520.

PO Box 30477
Lansing, MI 48909-7977

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Causes of Business Failure

- Inadequate Planning
- Insufficient Capital
- Inexperienced Management
- Wrong Location
- Inventory Mismanagement
- Capital Tied Up In Fixed Assets



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Causes of Business Failure

- Poor Credit Practices
- Unplanned Expansion
- Poor Work Practices Regarding Money
- Inadequate Record-keeping
- Not Using the Professionals you Need





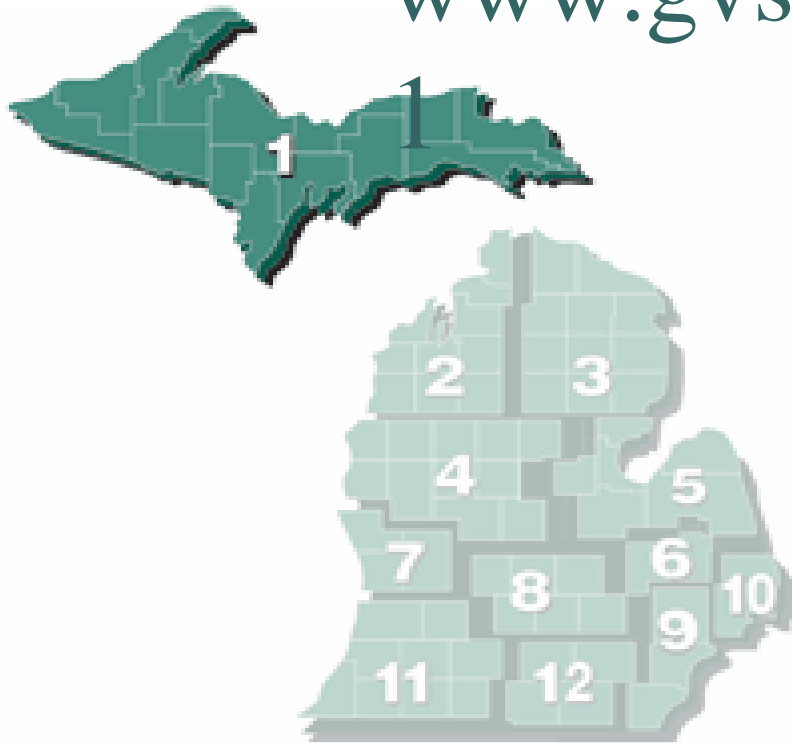
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Counseling • Training • Research

www.gvsu.edu/misbtdc/region





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Taking Care of Business... Everyday!

- Thank You for Coming
 - Michigan Small Business & Technology Development Center-Region 1
 - www.misbtdc.org/region1
 - (906) 789-0558
 - “Your Success is Our Reward”
-



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Baraga
KBIC-Anokii Center
(906) 524-2222

Iron Mountain
Welcome Center
(906) 774-2002

Manistique EDC
Court House
(906) 341-5126

St. Ignace EDC
Court House
(906) 643-7307

Escanaba (Joel)
Michigan Works! JFB
(906) 789-0558

Iron Mountain
Michigan Works! Service Center
(906) 774-3647

Manistique
Michigan Works! Service Center
(906) 341-1111

Newberry EDC
Court House
(906) 293-5982

Escanaba (Jim)
Michigan Works! Service Center
(906) 789-9732

Marinette Chamber
Intersection 41/64
(906) 863-2679

Marquette LSCP
Chamber
(906) 226-6591

Munising
Michigan Works!
(906) 387-4937

Ontonagon EDC
Court House
(906) 884-4188

Florence EDC
Court House
(715) 528-3294

Menominee
Business Development Corp.
(906) 863-2679

Marquette
Michigan Works! Service Center
(906) 228-3075

Initial Start-Up/Scheduling: Lance Wolfe (906) 399-2647
Counselors: Jim Beauchamp (906) 280-1754
Joel Schultz (906) 280-2658

Iron County EDC
Court House
(906) 875-6688

Menominee
Michigan Works! Service Center
(906) 863-9957

Sault Ste. Marie
Chamber
(906) 632-3301