

Business Start-up

▶ Basics

Doug Shaffer-South Central Kansas Economic Development

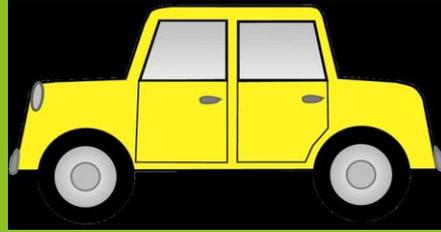
9350 E 50th St N Bel Aire, KS 67226

316-440-3343



- ▶ If I got in to a rocket ship this morning and blasted off from Wichita to Wellington, at 7 miles per second, which is what it takes to break the sound barrier, I'd be to Wellington in 5 seconds. However, I would pass Wellington, probably crash somewhere and die.





- ▶ A better approach is to get in to a car, with a GPS with a full tank of gas and drive there in about 35 minutes. It's slower, but I'll get there by steering my way there.



Are any of you in the audience today thinking about starting a business or maybe already started a business? Where are you at in the process? What are some of your initial questions and concerns?

In our high tech, smart phone enabled app world, how in the world do you start a new business? Can you think of some recent start-up businesses? What's unique about them?

Oh how things have changed: Internet sales in 2007 were 5.1% compared to 14.3% in 2018. Do you think this number will go up? Surprisingly, to me was that I thought internet sales in 2018 would be much, much higher. This still leaves over 80% to retail store sales.

- ▶ Reasons to go into business for yourself:
From Forbes.com
- ▶ Your Life Needs **The Flexibility.**
- ▶ Create Your Own Career Opportunity.
- ▶ There's Demand For What You're Selling.
- ▶ You Want To Make Money.
- ▶ You Hate Your Day Job.
- ▶ Want To Help Other People.
- ▶ You Want To Make A Difference.

- ▶ Additional reasons:
- ▶ Sell the business someday for a substantially higher amount
- ▶ Provide for during retirement
- ▶ Leave a legacy



Does your business idea meet the following?



Goal should be to create a business with a repeatable process



You want to create and deliver something of value



That other people want or need at a price they are willing to pay



To obtain a reasonable profit in order to meet obligations now and in the future

Free
Resources-
Planning is
key! 50% of
new businesses
will be around
in 5 years!

- ▶ <https://www.sba.gov/tools/business-plan/1>
- ▶ Vertical IQ-Industry Trends
www.verticaliq.com
- ▶ The SBDC's can help with financial projections
- ▶ <https://www.wichita.edu/research/ksbdc/index.php>
- ▶ Score is a great resource for business mentoring, planning
- ▶ <https://www.score.org/>
- ▶ <https://www.sba.gov/>

Funding Sources

- ▶ Your funds. Usually, at a minimum, you'll need 10% down for any loan that you get. It's hard to default on yourself 😊
- ▶ Loan-sources for start-up financing
SCKEDD, Network Kansas
- ▶ Investors
- ▶ ROBS-Rollovers for Business Start-ups
https://en.wikipedia.org/wiki/Rollovers_as_Business_Start-Ups Remember, 50% of new businesses are not in business after 5 years, so be careful here, it's your retirement, but I've even had a personal friend from church use this method to purchase a business
- ▶ Home equity
- ▶ Business credit for start-ups

Some Steps To TAKE



- ▶ Apply for a TIN# <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- ▶ Open a business checking account
- ▶ Apply for a business DUNS#-For businesses, the global standard numbering system to identify all types of business organizations, such as [corporations](#), non-profits, and government entities, is the D&B Number or DUNS number. The DUNS Number consists of a 9-digit number assigned to each business and was created by Dun and Bradstreet back in 1963. <http://fedgov.dnb.com/webform/searchAction.do>
- ▶ Open up a small business credit card
- ▶ Get your personal credit score-experian.com, Credit Karma
- ▶ Incorporate your business <https://portal.kansas.gov/business/>



Knowing your financial dashboard:



You can work with your accountant



Basics

Gross profit margin target to shoot for is 30%. A business doesn't run on net revenue, it runs on gross margin

Net profit target at least 5% of revenue

The business should have \$1.25 for every dollar of business debt

Community Advantage



Helps underserved markets-LMI areas, veteran owned businesses, start-ups



\$50,000-\$250,000



Loan proceed request not available from other lending sources due to policy parameters



Used for starting, acquiring, working capital, real estate



An internal program that provides technical and financial assistance

Microloan and Revolving Loan Fund



Smaller loan needs up to \$50,000-Equipment, inventory, working capital, furniture and fixtures



May provide gap financing where business needs additional financing on top of what they have been approved for through another source



Helpful for start-up businesses, or again if the loan request doesn't fit or meet a lending institution's guidelines. A decline letter or note stating reasons why they can't fulfill the loan request