



Avoiding Common Small Business Start-Up Problems

Hundreds of new businesses are started every day, and unfortunately more than half of them fail within their first two years. Some businesses fail because the original business concept was ill conceived and others fail because of external factors such as a deteriorating economy. However, most businesses fail due to the decisions that the owner makes.

Here are some common pitfalls that you should try to avoid

Not anticipating start-up issues. Starting a business is difficult, time consuming and expensive. There are literally hundreds of decisions that must be made and actions to be taken. Everything, including choosing a name, handling all the paperwork, setting up a location, getting supplies and staffing, takes time and effort, probably more time than what you may think. And everything costs money. So be prepared to work hard, make decisions, and spend money.

Inadequate consideration of financial issues. There is always some period between the decision to start a business and when revenues start coming in. During that time, you must have the funds to pay all the start-up costs and cover your normal living expenses. It can be tempting to just continue to charge more on your credit cards, but ultimately those balances must be paid and the interest costs can add up. Be sure you have enough funds to see you through these difficult months.

Once the business starts, the financial issues continue. If you have a retail business, sales may start quickly, but getting an initial inventory and keeping inventory can be costly. Many vendors are reluctant to extend credit to start-ups and may require payment in advance or upon delivery. Negotiate terms with your vendors early. If you have a service business, do not forget to consider how long it may take for your customers to pay you after you send an invoice. Thirty to sixty days are not uncommon, and until you get a flow of payments the anxiety of waiting for a check to arrive can be difficult.

On an ongoing basis, you must balance your desire to pay yourself, the operating cash needs of the business and accumulating funds to grow and expand the business. Starting a business demonstrates that you have an entrepreneurial spirit and that ambition often enables you to see additional opportunities.

Poor marketing. Most people that start businesses have a passion about their product or service. Do not let that passion blind you to the reality that others may not share that passion for your product or service. You must have a marketing plan that identifies potential customers, makes the benefits of your product visible to those prospects and motivates them to make a purchase decision. Creating a formal marketing plan early and then constantly adapting it to what you learn in the marketplace is critical. In addition, you must execute that plan.

Poor location. It should go without saying that if you have a retail business, customers must be able to find your location and visit it easily. It may be tempting to commit to a long-term lease, but traffic patterns can change, competitors may move close by and your needs may change. Be sure to consider these factors before you sign that initial lease and every time it comes up for renewal. If your business is more service in nature, the location may not be so important, but parking and access to conveniences may be a factor in recruiting the right employees and in your personal lifestyle.

Not listening to good advice. The self confidence it takes to start a business can also hinder your efforts if you are not careful. One of the most enlightening aspects of being in business is realizing that you do not have all the answers. Professionals like attorneys and accountants can help you deal with some of the technical aspects of your business, but others, like customers, employees, other business people and even competitors, can also provide insights into the operation of your business and marketplace.

Truly listening to a customer tell you what they want from your products and how they want to interact with your business can provide clues for making improvements that will help you deal with that customer and others. Employees will often know more about certain aspects of the business than you do, and their observations can be valuable. Business people you know, especially other small business owners, may have already faced many of the issues you are facing and would be happy to offer ideas. Even your competitors may be a source of valuable advice. It is surprising how often a casual conversation can lead to useful ideas and maybe even a way to work together on certain types of business.