

Starting a Small Business: Your Complete How-to Guide

From market research to managing growth

How to Start a Business: A Comprehensive Guide and Essential Steps

The U.S. is home to 33.2 million small businesses, which drive over 43% of GDP. If you are looking to start a business, there are key factors to consider—from market research and creating a business plan to scaling your business. These factors are critical to your journey and can make a big difference no matter what stage of the process you are in.

Entrepreneurs who take concrete action can differentiate themselves from competitors, innovate, and grow. For successful entrepreneurs, the execution of the business is often what means the most.

KEY TAKEAWAYS

- **Starting a small business involves extensive market research of your target audience, competitors, and gaining a deep understanding of the industry.**
- **It is important to build a comprehensive business plan that includes the product or service description, your target customers, financial projections, and all other key details.**
- **Understanding the legal requirements of starting your business involves knowledge of business registration, permits, licensing, and other regulatory requirements.**
- **There are various types of funding channels for starting a business, including financing it yourself, securing external funding from your network, and applying for government and corporate grants and loans.**

The Importance of Market Research

Being clear about your business goals involves doing your research. Successful entrepreneurs often do extensive research on their field. This includes understanding their prospective customers, the technical aspects of the industry, and the challenges other businesses are facing.

Understanding how other players operate in an industry is important. Attending conferences, joining associations, and building a network of people involved in the field can help you learn how decisions are made. Often, comprehensive market research takes six months to a year.

Understanding Your Target Audience

Knowing your target market is critical for many reasons. These are the customers who are most likely to purchase your product, recommend it to friends, and become repeat buyers. Apart from driving your bottom line, having a strong understanding of your target audience will allow you to tailor your offering more effectively, reach your customers more efficiently, and manage customer expectations.

Compiling demographic data on age, family, wealth, and other factors can give you a clearer understanding of market demand for your product and your potential market size.

It's important to ask, "Why would someone buy this and part with their discretionary income?" or "Will someone love this enough to tell someone about it?" At the heart of these questions is understanding whether your business solves a key problem, as well as whether it delivers the "more" that connects to your audiences' human emotions.

Assessing Market Trends and Opportunities

To find an advantage in a given market, look at key market trends in customer behavior and the business landscape. Explore the state of business conditions and consumer spending, along with the economic environment and how interest rates may affect financing and business growth.

Several resources are available to dive into market trends across industries, such as [Statistics of U.S. Businesses](#) and the [U.S. Census Business Builder](#). To analyze the competitive landscape, and in turn, identify key opportunities, Porter's 5 Forces is a classic model to help businesses build their competitive strategy.

Creating a Business Plan

A business plan is a road map for achieving your business goals. It outlines the capital that you need, the personnel to make it happen, and the description of your product and prospective customers.

There are a number of models for creating a business plan. The Small Business Administration (SBA), for instance, provides a format that includes the following nine sections:

- **Executive summary:** This should be a description of your company and its potential for success. The executive summary can cover your mission statement, employees, location, and growth plan.
- **Company description:** This is where you detail what your business offers, its competitive advantages, and your strengths as a business.
- **Market analysis:** Lay out how your company is positioned to perform well in your industry. Describe market trends and themes and your knowledge of successful competitors.
- **Organization and management:** Who is running your company, and how is your business structured? Include an organizational chart of your management team. Discuss if your business will be incorporated as a business C or S corporation, a limited partnership, a limited liability company, or a sole proprietorship.
- **Service or product line:** Here is where you describe how your business will solve a problem and why this will benefit customers. Describe how your product lifecycle would unfold.
- **Marketing and sales:** Detail your marketing strategy and how this will reach your customers and drive return on investment.
- **Funding request:** If you're looking for financing, lay out the capital you're requesting under a five-year horizon and where, in detail, it will be allocated, such as salaries, materials, or equipment.
- **Financial projections:** This section shows the five-year financial outlook for your company and ties these to your request for capital.

Having a coherent business plan is important for businesses looking to raise cash and crystallize their business goals.

Setting Goals and Strategies

Another key aspect of a business plan is setting realistic goals and having a strategy to make these a reality. Having a clear direction will help you stay on track within specified deadlines. In many ways, it allows companies to create a strategic plan that defines measurable actions and is coupled with an honest assessment of the business, taking into account its resources and competitive environment. Strategy is a top-down look at your business to achieve these targets.

Financial Projections and Budgeting

Often, entrepreneurs underestimate the amount of funding needed to start a business. Outlining financial projections shows how money will be generated, where it will come from, and whether it can sustain growth.

This provides the basis for budgeting the costs to run a business and get it off the ground. Budgeting covers the expenses and income generated from the business, which include salaries and marketing expenses and projected revenue from sales.

Legal Requirements

Another important aspect of starting a business are the legal requirements that enable you to operate under the law. The legal structure of a business will impact your taxes, your liability, and how you operate.

Businesses may consider the following structures in which to operate:

- Corporation
- Limited Liability Company (LLC)
- Partnership
- Sole Proprietorship

Each has different legal consequences, from regulatory burdens to tax advantages to liability being shifted to the business instead of the business owner.

Registering Your Business

Now that you have your business structure outlined, the next step is registering your business. Your location is the second key factor in how you'll register your business. In many cases, small businesses can register their business name with local and state government authorities.

If your business is being conducted under your legal name, registration is not required. However, such a business structure may not benefit from liability protection, along with certain legal and tax advantages. Often, registering your businesses costs \$300 or less.

Before filing, a business structured as a corporation, LLC, or partnership requires a registered agent in its state. These agents handle the legal documents and official papers on your behalf.

Businesses that are looking to trademark their product, brand, or business, can file with the United States Patent and Trademark Office.

Understanding Permits and Licenses

If your business conducts certain activities that are regulated by a federal agency, you're required to get a permit or license. A list of regulated activities can be found on the SBA website, and includes activities such as agriculture, alcoholic beverages, and transportation.

Exploring Funding Options

There are many different ways to fund a business. One of the key mistakes entrepreneurs make is not having enough capital to get their business running. The good news is that there are several channels to help make this happen, given the vital role entrepreneurs play in creating jobs and boosting productivity in the wider economy.

Self-Funding vs. External Funding

Bootstrapping, the term commonly used to describe self-funding your business, is where companies tap into their own cash or network of family and friends for investment. While the advantage of self-funding is having greater control, the downside is that it often involves more personal risk.

External funding involves funding from bank loans, crowdfunding, or venture capital, among other sources. These may provide additional buffers and enable you to capture growth opportunities. The drawback is less freedom and more stringent requirements for paying back these funds.

Grant and Loan Opportunities

Today, there are thousands of grants designed especially for small businesses from the government, corporations, and other organizations. The U.S. Chamber of Commerce provides a weekly update of grants and loans available to small businesses.

For instance, Business Warrior offers loans between \$5,000 and \$50,000 to small business owners. As another example, Go. Be. Elevate Fund offers \$4,000 to grant recipients who are women and/or people of color business owners to help them grow their businesses.

Crafting a Marketing Strategy

When it comes to marketing, there is a classic quote from Milan Kundera: "Business has only two functions—marketing and innovation." In order to reach customers, a business

needs a marketing strategy that attracts and retains customers and expands its customer base.

To gain an edge, small businesses can utilize social media, email marketing, and other digital channels to connect and engage with customers.

Branding Your Business

Building a successful brand goes hand in hand with building a great experience for the customer. This involves meeting the expectations of your customer. What is your brand offering? Is it convenience, luxury, or rapid access to a product? Consider how your brand meets a customer's immediate need or the type of emotional response it elicits. Customer interaction, and in turn loyalty to your brand, is influenced, for example, by how your brand may align with their values, how it shifts their perception, or if it resolves customer frustration.

Digital Marketing and Social Media

We live in a digital-first world, and utilizing social media channels can help your business reach a wider audience and connect and engage in real time. Given that a strong brand is at the heart of successful companies, it often goes without saying that cultivating a digital presence is a necessity in order to reach your customers.

According to HubSpot's 2023 report, The State of Consumer Trends, 41% of the 600-plus consumers surveyed discovered new products on social media and 17% bought a product there in the past three months.

Managing and Growing Your Business

Managing a business has its challenges. Finding the right personnel to run operations, manage the day-to-day, and reach your business objectives takes time. Sometimes, businesses may look to hire experts in their field who can bring in specialized knowledge to help their business grow, such as data analysts, marketing specialists, or others with niche knowledge relevant to their field.

Hiring and Training Staff

Finding the right employees involves preparing job descriptions, posting on relevant job boards such as LinkedIn, and effectively screening applicants. Careful screening may involve a supplemental test, reviewing a candidate's portfolio, and asking situational and

behavioral questions in the interview. These tools will help you evaluate applicants and improve the odds that you'll find the people you are looking for.

Once you have hired a new employee, training is the next essential step. On average, it takes about 62 hours to train new employees. Effectively training employees often leads to higher retention. While on-the-job training is useful, consider having an onboarding plan in place to make the transition clear while outlining expectations for the job.

Scaling Your Business

Growing your business also requires strategy. According to Gino Chirio, executive vice president at the consultancy group Maddock Douglas, there are six ways that companies can grow their business to drive real growth and expansion:

- **New processes:** Boost margins by cutting costs.
- **New experiences:** Connect with customers in powerful ways to help increase retention.
- **New features:** Provide advancements to your existing product or service.
- **New customers:** Expand into new markets, or find markets where your product addresses a different need.
- **New offerings:** Offer a new product.
- **New models:** Utilize new business models, such as subscription-based services, fee-for-service, or advertising-based models.

With these six ways to grow a business, it is important to consider the risk, investment, and time involved. Improving your margins through new processes is often the most straightforward way to grow. Offering new features is also effective since it is tailored to your existing market with products you have already delivered.

By contrast, offering new products may involve higher risk since these have not been tested in the market. However, they may offer higher reward, especially if you have a first-mover advantage and release your product in the market before the competition.

How Do I Start a Small Business for Beginners?

A good place to start building a business is to understand the following core steps that are involved in an entrepreneur's journey: market research, creating a business plan, knowing the legal requirements, researching funding options, developing a marketing strategy, and business management.

How Do I Create a Business Plan?

A business plan is made up of a number of primary components that help outline your business goals and company operations in a clear, coherent way. It includes an executive summary, company description, market analysis, organization and management description, service or product line description, marketing and sales plan, funding requests (optional), and financial projections.

What Are Six Ways to Grow and Scale a Business?

Business growth can fall into the following six categories, with each having varying degrees of risk and investment: new processes, new experiences, new features, new customers, new offerings, and new models.

The Bottom Line

Knowing how to start a small business involves the key steps of market research, setting up a business plan, understanding the legal requirements, exploring funding options, crafting a marketing strategy, and managing your business.

For aspiring small business owners, these steps can help you successfully deliver your product or service to the market, and ultimately grow. While it can take a considerable amount of work, the payoffs are manifold: independence of work, personal fulfillment, financial reward, and following your passion.

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