Entrepreneur's

INSTANT STARTUP GUIDE

A SUPPLEMENT TO *ENTREPRENEUR* MAGAZINE

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How to research your business idea

Your brilliant idea may indeed be brilliant—or it may need some work. Here's how to find out whether you're ready for startup. —Karen E. Spaeder

Somewhere between scribbling your idea on a cocktail napkin and actually starting a business, there's a process you need to carry out that essentially determines either your success or failure in business. Oftentimes, would-be entrepreneurs get so excited about their "epiphanies"—the moments when they imagine the possibilities of a given idea—that they forget to find out whether that idea is viable.

Of course, sometimes the idea works anyway, in spite of a lack of market research. Unfortunately, other times, the idea crashes and burns, halting a business in its tracks. We'd like to help you avoid the latter. This how-to on researching your business idea is just what you need to keep your business goals on track.

THE IDEA STAGE

For some entrepreneurs, getting the idea—and imagining the possibilities—is the easy part. It's the market research that doesn't come so naturally. "It's a big red flag when someone outlines the size of the market—multibillion dollars—but doesn't clearly articulate a plan for how the idea will meet an unmet need in the marketplace," says Aaron Keller, an adjunct professor of marketing at the University of St. Thomas in neighboring St. Paul and a managing principal of Capsule, a Minneapolis-based brand development firm.

That kind of full-throttle approach can cost you. "Entrepreneurs are often so passionate about their ideas, they can lose objectivity," adds Nancy A. Shenker, president of theONswitch, a full-service marketing firm in Westchester, N.Y. "Rather than taking the time to thoroughly plan and research, they sometimes plow ahead with execution, only to spend valuable dollars on unfocused or untargeted activities."

> **"ENTREPRENEURS ARE OFTEN SO PASSIONATE ABOUT THEIR IDEAS, THEY CAN LOSE OBJECTIVITY."**
> —NANCY A. SHENKER

Market research, then, can prove invaluable in determining your idea's potential. You can gather information from industry associations, web searches, periodicals, federal and state agencies and so forth. A trip to the library or a few hours online can set you on your way to really understanding your market. Your aim is to gain a general sense of the type of customer your product or service will serve—or at least to being willing to find out through the research process. "For example," says Shenker, "if you don't

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know if your product will appeal to the youth market, make sure you include a sample of that population in your research efforts."

Your research plan should spell out the objectives of the research and give you the information you need to either go ahead with your idea, fine-tune it or take it back to the drawing board. Create a list of questions you need to answer in your research and create a plan for answering them. "Utilize experts in planning and conducting research sessions," Shenker advises. "They can recommend what type of research is most appropriate, help you develop statistically valid samples and write questionnaires, and provide you with an objective and neutral source of information."

The type of information you'll be gathering depends on the type of product or service you want to sell as well as your overall research goals. You can use your research to determine a potential market, to size up the competition or to test the usefulness and positioning of your product or service. "If, for example, the product is a tangible item, letting the target audience see and touch a prototype could be extremely valuable," notes Shenker. "For intangible products, exposing prospective customers to descriptive copy or a draft website could aid in developing clear communications."

Assuming your research process has helped you uncover your competition, you now need to find out what they're up to. Shenker advises becoming a customer of the competition. Find your selling point. It's going to be the core of your marketing program, if and when you're ready for that step. It's also going to be what sets you apart and lures customers your way.

An intro to business plans

Here's why a plan is so vital to the health of your business

A business plan is a written description of your business's future. That's all there is to it—a document that describes what you plan to do and how you plan to do it. If you jot down a paragraph on the back of an envelope describing your business strategy, you've written a plan, or at least the germ of a plan.

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Business plans can help perform a number of tasks for those who write and read them. They're used by investment-seeking entrepreneurs to convey their vision to potential investors. They may also be used by firms that are trying to attract key employees, prospect for new business, deal with suppliers or simply to understand how to manage their companies better.

So what's included in a business plan, and how do you put one together? Simply stated, a business plan conveys your company goals, the strategies you'll use to meet them, potential problems that may confront your business and ways to solve them, the organizational

A GOOD BUSINESS PLAN FOLLOWS GENERALLY ACCEPTED GUIDELINES FOR BOTH FORM AND CONTENT.

structure of your business (including titles and responsibilities) and finally, the amount of capital required to finance your venture and keep it going until it breaks even.

Sound impressive? It can be, if put together properly. A good business plan follows generally accepted guidelines for both form and content. There are three primary parts to a business plan:

- **The first is the business concept,** where you discuss the industry, your company structure, your particular product or service and how you plan to make your business a success.
- **The second is the marketplace section,** in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. Here, you also describe the competition and how you'll position yourself to beat it.
- **Finally, the financial section** contains your income and cash flow statement, balance sheet and other financial ratios, such as break-even analyses. This part may require help from your accountant and a good spreadsheet software program.

Breaking these three major sections down even further, a business plan consists of seven key components:

1. Executive summary
2. Business description
3. Market strategies
4. Competitive analysis
5. Design and development plan
6. Operations and management plan
7. Financial factors

In addition to these sections, a business plan should also have a cover, title page and table of contents.

About the only person who doesn't need a business plan is someone who's not going into business. You don't need a plan to start a hobby or to moonlight from your regular job. But anybody beginning or extending a venture that will consume significant resources of money, energy or time, and that is expected to return a profit, should take the time to draft some kind of plan. —Tim Berry

TOP 10 BUSINESS PLAN MISTAKES

1. MISUNDERSTANDING THE PURPOSE: IT'S THE PLANNING THAT MATTERS, NOT JUST THE DOCUMENT. Planning is a process of setting goals and establishing specific measures of progress, then tracking your progress and following up with course corrections. The plan itself is just the first step; it is reviewed and revised often.

2. DOING IT IN ONE BIG PUSH; INSTEAD, DO IT IN PIECES AND STEPS. The plan is a set of connected modules, like blocks. Start anywhere and get going. Do the part that interests you most, or the part that provides the most immediate benefit.

3. FINISHING YOUR PLAN. If your plan is done, then your business is done. That most recent version is just a snapshot of what the plan was then.

4. HIDING YOUR PLAN FROM YOUR TEAM. It's a management tool. Use common sense about what you share with everybody on your team. But do share the goals and measurements, using the planning to build team spirit and peer collaboration.

5. CONFUSING CASH WITH PROFITS. There's a huge difference between the two. Waiting for customers to pay can cripple your financial situation without affecting your profits. Loading your inventory absorbs money without changing profits. You don't pay your bills with profits.

6. DILUTING YOUR PRIORITIES. A plan that stresses three or four priorities is a plan with focus and power. A plan that lists 20 priorities doesn't really have any.

7. OVERVALUING THE BUSINESS IDEA. What gives an idea value isn't the idea itself but the business that's built on it. Either write a business plan that shows you building a business around that great idea, or forget it.

8. FUDGING THE DETAILS IN THE FIRST 12 MONTHS. By details, we mean your financials, milestones, responsibilities and deadlines. Cash flow is most important, but you also need lots of details when it comes to assigning tasks to people, setting dates and specifying what's supposed to happen and who's supposed to make it happen.

9. SWEATING THE DETAILS FOR THE LATER YEARS. As important as monthly details are in the beginning, they become a waste of time later on. How can you project monthly cash flow three years from now when your sales forecast is so uncertain? Sure, you can plan in five, 10 or even 20-year horizons in the major conceptual text, but you can't plan in monthly detail past the first year.

10. MAKING ABSURD FORECASTS. Nobody believes absurdly high "hockey stick" sales projections. And forecasting unusually high profitability usually means you don't have a realistic understanding of expenses.

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Self-financing your startup

Explore these potential sources of capital for financing your business.

Once you have decided on the type of venture you want to launch, the next step on the road to business success is figuring out where the money will come from to fund it. Where do you start?

The best place to begin is by looking in the mirror. Self-financing is the No. 1 form of financing used by most business startups. In addition, when you approach other financing sources such as bankers, venture capitalists or the government, they will want to know exactly how much of your own money you are putting into the venture. After all, if you don't have enough faith in your business to risk your own money, why should anyone else risk theirs?

Begin by doing a thorough inventory of your assets. You are likely to uncover resources you didn't even know you had. Assets include savings accounts, equity in real estate, retirement accounts, vehicles, recreational equipment and collections. You may decide to sell some assets for cash or to use them as collateral for a loan.

If you have investments, you may be able to use them as a resource. Low-interest-margin loans against stocks and securities can be arranged through your brokerage accounts.

The downside here is that if the market should fall and your securities are your loan collateral, you'll get a margin call from your broker requesting you to supply more collateral. If you can't do that within a certain time, you'll be asked to sell some of your securities to shore up the collateral. Also take a look at your personal line of credit. Some businesses have been launched successfully on credit cards, although this is one of the most expensive ways to finance yourself.

If you own a home, consider getting a home equity loan on the part of the mortgage that you have already paid off. Home-equity loans carry relatively low interest rates, and all interest paid on a loan of up to $100,000 is tax-deductible. But be sure you can repay the loan—you can lose your home if you do not repay.

Value your life insurance policy as a ready source of cash. The interest rates are reasonable, because the insurance companies always get their money back. You don't even have to make payments if you do not want to. Neither the amount you borrow nor the interest that accrues has to be repaid. The only loss is that if you die and the debt hasn't been repaid, that money is deducted from the amount your beneficiary will receive.

If you have a 401(k) retirement plan through your employer and are starting a part-time business while you keep your full-time job, consider borrowing against the plan. The downside of borrowing from your 401(k) is that if you lose your job, the loan has to be repaid in a short period of time—often 60 days. Consult the plan's documentation to see if this is an option for you.

Another option is to use the funds in your individual retirement account (IRA). Within the laws governing IRAs, you can actually withdraw money from an IRA as long as you replace it within 60 days. This is not a loan, so you don't pay interest. Rather, it's a withdrawal that you're allowed to keep for 60 days. It's possible for a highly organized entrepreneur to juggle funds among several IRAs. But if you're one day late—for any reason—you'll be hit with a 10 percent premature-withdrawal fee, and the money you haven't returned becomes taxable.

If you are employed, another way to finance your business is by squirreling away money from your current salary until you have enough to launch the business. If you don't want to wait, consider moonlighting or cutting your full-time job back to part-time. This ensures you'll have some steady funds rolling in until your business starts to soar.

People generally have more assets than they realize. Use as much of your own money as possible to get started; remember, the larger your own investment, the easier it will be for you to acquire capital from other sources.

5 tips for raising money from informal investors

The devil's in the details when taking money from—and structuring a deal with—friends, family and angel investors. —Asheesh Advani

No matter whom you're raising capital from or whether you're raising money in the form of debt or equity funding, you'll be faced with the prospect of financing agreements that are written to favor the investor over the entrepreneur.

So here are a few tips about what to look out for to get a deal that works for you:

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1. DON'T GIVE PRO-RATA RIGHTS TO YOUR FIRST INVESTORS. If your first investor (or his or her attorney) negotiates pro-rata rights (which means the investor is given the right to maintain ownership in the company through future investment rounds), all the investors in the round are likely to also want those rights, even if most wouldn't have otherwise requested them. Although anti-dilution provisions are in the interest of early investors, they're off-putting to later investors. So you'll need to balance the needs of your early investors to protect their stake in the company with how attractive your company will appear to later institutional investors.

2. AVOID GIVING TOO MANY PEOPLE THE RIGHT TO BE OVERLY INVOLVED. The follow-the-leader mentality described above gets particularly problematic when you give up control of the venture and require investor consent for business decisions. If you're not careful, you may find yourself in the tedious and time-consuming position of needing signatures from all or most of your shareholders to make future financing decisions or management choices—all because you gave these rights to your first investor.

STEP 2: MONEY

3. BEWARE OF ANY LIMITS PLACED ON MANAGEMENT COMPENSATION. In the past few years, angel investor groups have started to overreach by adding clauses to financing agreements that limit the salaries of senior management. While this type of restriction might make sense for businesses running out of money or ones in which the board of directors is too cozy with senior management, entrepreneurs should be wary about agreeing to such limits. Arbitrary limits on how much you can pay your top employees means you'll be limiting your ability to attract the best people at the time you need them most.

4. REQUEST A CURE PERIOD. To protect themselves, investors may want you to agree to covenants and representations about your company that might be difficult for an under-funded startup to swallow. Most agreements will indicate that you are in default of the agreement if you violate any of its provisions.

Agreeing to such sweeping provisions is often difficult for honest entrepreneurs. One way to deal with this is to ensure that you have a "cure period" in your financing agreements. You should negotiate a period of two to four weeks to allow yourself time to remedy your errors. This cushion will give you the time you need to find a solution or a "white knight" investor if you're ever vulnerable.

5. RESTRICT YOUR SHARE RESTRICTIONS. While it's unlikely that founders' shares have much street value during the early rounds and it's unlikely that anyone will want to buy them, it's still not a good idea to agree to such restrictions. If you know that you plan to raise additional capital, having unrestricted shares is often one of your only bargaining chips with future investors.

When raising money from any type of investor, it's a good idea to speak to your attorney about whether he or she is seeing an investor-friendly or entrepreneur-friendly capital market. If it's not friendly, then be patient—recent experience shows that the tide will always turn.

6 MISTAKES ENTREPRENEURS MAKE WHEN SEEKING VENTURE CAPITAL

Pitching venture-capital investors to launch your business is a delicate process, so you need to tread carefully. To take your best shot with venture capitalists, avoid these six common blunders:

1. DON'T CONTACT EVERY VC IN SILICON VALLEY. Blindly reaching out to VCs with a generalized pitch is not going to improve your chances of getting funded, according to Brian O'Malley of Battery Ventures in Menlo Park, Calif. Not all investors are interested in the same kinds of companies, nor do they all invest the same amount of money or at the same time in a company's life cycle. Research the VC you plan to pitch, figuring out the kind of companies it has invested in and at what stage in a company's growth.

2. DON'T OVERDO THE POWERPOINT PRESENTATION. Some entrepreneurs create lengthy PowerPoints that leave investors bored and with little time for questions and answers. John Backus, founder and managing partner at New Atlantic Venture Partners in the Washington, D.C., area, recommends a maximum of 15 slides for a one-hour meeting. That number of slides will take up about half the meeting, he says, leaving 30 minutes for questions. Also, make the slides as visual as possible. "We are not going to remember a list of data," Backus says.

3. DON'T DISREGARD QUESTIONS THAT COME UP. VCs will likely have questions that interrupt your presentation, and you may be tempted to hurry through them to get back to your rehearsed pitch. Instead, always answer questions as completely as possible. After all, if you secure funding with a VC, it's likely going to be a long-term relationship—and communication is key.

4. DON'T EXAGGERATE. While VCs are hunting for the next Google, Facebook or Twitter, they don't want to hear unrealistic pitches. "There are probably five companies out there in the world that have gotten to $10 billion, $20 billion, $30 billion," Backus says. "Be realistic and tell me how you are going to win."

5. DON'T TRY TO RAISE MONEY JUST FOR THE SHORT TERM. O'Malley often hears entrepreneurs say they're trying to raise cash to cover expenses for a period of time, usually 12 to 24 months. But he discourages short-term thinking. Instead, he urges entrepreneurs to raise money to hit milestones. Also, raising a bit more money than you'll need is better than too little.

6. DON'T RUSH TO DISCLOSE WHAT YOU THINK YOUR COMPANY IS WORTH. You will need to discuss how much money you are seeking, but don't immediately share what percentage of your company's value that represents. Instead of putting your estimated valuation in the presentation, allow it to come up naturally in conversation. —Catherine Clifford

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SBA loans for your startup

Find money for your new business today with this review of the SBA's top three loan programs. —Asheesh Advani

Despite what you might see on late-night infomercials or some websites, none of the SBA's loan programs involve free money, government grants or no-interest loans. In fact, the SBA doesn't even lend funds directly to entrepreneurs—you'll need to strike up a relationship with a loan officer at your local bank, credit union or nonprofit financial intermediary to access the programs.

But once you do, there's an array of resources aimed at getting you the capital you need to start or expand your small business. Here are the latest descriptions and eligibility criteria for the SBA's three most popular loan programs.

1 7(A) LOAN PROGRAM

The 7(a) is the SBA's most popular loan program. As a small-business owner, you can get up to $750,000 from your local 7(a) lender, backed by a partial guarantee from the SBA. Note that the SBA is not lending you any money directly. What they are doing is making it less risky for a local lender to provide you with financing. These loans are typically used for working capital, asset purchases and leasehold improvements. All the owners of a business who hold an ownership stake of 20 percent or more are required to personally guarantee the loan.

Eligibility: In general, all SBA programs are targeted at small companies, but typically most banks won't lend to startup businesses that don't have two to three years' worth of financial statements and some owner's equity in the business. Some banks will allow you to use money from relatives as part of your equity, but you're required to formalize these loans with a repayment plan that's subordinate to the bank debt.

2 504 LOAN PROGRAM

The 504 loan program is intended to supply funds for asset purchases, such as land or equipment. Typically, the asset purchase is funded by a loan from a bank or other lender in your area, along with a second loan from a certified development company (CDC) that's funded with an SBA guarantee for up to 40 percent of the value of the asset—which is generally a loan of up to $1 million—and a contribution of 10 percent from the equity of the borrower.

Eligibility: Since funds from 504 loans can't be used for working capital or inventory, consolidating or repaying debt, or refinancing, this program tends to exclude most service businesses that need to purchase land or equipment. Personal guarantees are also required for 504 loans.

3 7(M) MICROLOAN PROGRAM

The Microloan program is presently under budgetary review, and the political winds aren't blowing in its favor. The program is intended to provide small loans of up to $35,000 that can be used for a broad range of purposes to start and grow a business. Unlike the 7(a) program, the funds to be loaned don't come from banks; rather, they come directly from the SBA (now you know why it's unpopular with the folks in charge of the budget) and are administered to business owners via nonprofit community-based intermediaries.

Eligibility: The Microloan program is startup-friendly. All new businesses are eligible to apply. Although the maximum loan amount is $35,000, the average loan is approximately $10,000. The only catch is that Microloan borrowers typically have to enroll in technical-assistance classes administered by the microlender intermediaries.

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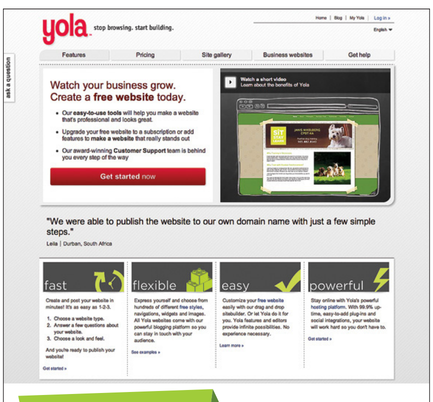
5 easy tools to build a website

Get online now with these affordable builders —Jonathan Blum

No matter how modest your launch, your business will need a web presence. Maybe you've been putting it off. After all, we weren't all put on earth to write code on the web—and hiring someone who was is expensive. Luckily, you don't have to know a thing about programming to build a respectable website these days. There are loads of affordable—even free—tools that do the grunt work for you.

You'll need a sense of what you want your website to do for your business. As long as you have a germ of an idea, the best do-it-yourself services will guide you along. You'll also find plenty of options for syncing your website with other online tools like Facebook pages, Twitter profiles, YouTube channels and PayPal accounts. It's surprisingly easy to get a simple but powerful website up and running in a few hours.

Here are our top five picks for launching your business on the web without skimping on quality.



YOLA

What it does: Yola lets you build a basic website by picking a template and filling out a few simple forms. Once you have a rough outline, you fine-tune your site with an in-place editing tool. Yola has the goods to let you really dig into the web. You can integrate your site with an impressive list of third-party services such as Google Maps and PayPal, Flickr for photo sharing and Picnik for photo editing.

What it costs: The basic web-building tool and a Yola.com address are free. For extra features, better-looking templates and the ability to use your own domain name, the Yola Silver upgrade is $100 per year.

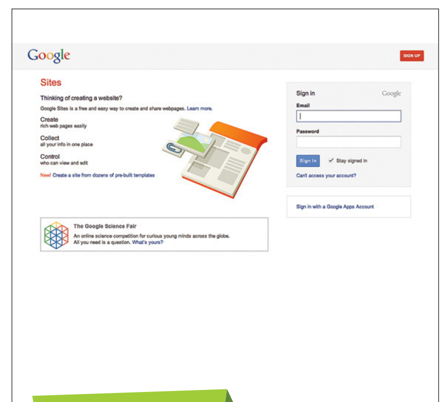
Bottom line: If you're looking for a basic, professional site at a reasonable cost, Yola's your answer.

JIMDO

What it does: Jimdo's free version does what a respectable website builder should do, and not much else. We suggest springing for the upgrades (which are reasonably priced) to unlock some cool business features, such as custom newsletters to keep in touch with your customers, page-view stats, PayPal stores and password-protected employees-only pages.

What it costs: Basic features and a Jimdo.com address are free. Jimdo Pro is $5 per month. Jimdo Business is $15 per month, including unlimited data storage and online selling, two domain names and business-specific site designs.

Bottom line: The free version isn't worth your time. But what Jimdo does well is hold your hand with nice templates and good overall tools. If you want to sink a little more effort into a site that looks and feels unique, Jimdo is your best bet.



GOOGLE SITES

What it does: This service can give you a simple Google web presence for free. But you probably don't need that when there are better, faster and easier options from the likes of Facebook, Twitter and LinkedIn. What Google Sites does best happens outside the public eye. With this tool you can create private, team-based websites within your business—which turns that Google Apps account of yours into a powerful business-organization tool. Google Sites puts nifty collaboration tools like announcements, documents and task lists in one online location, allowing you and your colleagues to access them from anywhere. It's a great way to bring some sanity to the startup chaos.

What it costs: It's free.

Bottom line: Don't use this tool to develop a traditional website unless you have a solid coding background or are hiring a coder who does. For the average user, Google Sites is best for creating a company intranet.

WIX

INTUIT WEBSITES

What it does: Wix lets you build a great-looking website in no time with its easy-to-use, what-you-see-is-what-you-get editor. Here's the downside: The web-development tool is based on Adobe Flash, which works on most PCs but isn't supported by some mobile devices, including the all-powerful Apple iPad. If that isn't a problem for you, Wix has lots of elegant templates that are easy to customize and can fit every business need. Wix's image-heavy sites are especially great for photo galleries, which really show clients what your business can do. A new mobile tool lets you build a simple, smartphone-optimized site to reach on-the-go clients.

What it costs: The full-featured website-building tool and Wix.com address are free. Paid subscriptions, which let you do things like remove ads and link a site to your own domain name, run $5 to $16 per month.

Bottom line: If you must have that slick, designed look and don't mind alienating a couple of potential users, Wix is the answer. Just be sure you understand the limits of Flash, as it can be surprisingly tricky to work with.

What it does: Starting a business takes creativity, but maybe you're not the artistic type. Luckily, even the most design-challenged among us can squeeze a respectable-looking website out of Intuit's somewhat bland but reliable web-editing tool. A quick survey helps you pick a template that's based on what your business does and your goals for the website. The template sorter goes into more detail than many site builders that make you wade through thousands of templates. From there you can tinker with the look and layout, but with some quick text and picture entries you'll be well on your way to a reasonable web presence.

What it costs: The starter package is free for 30 days, then $5 per month. Business and Professional packages are $24 and $50 per month, respectively, and include features like custom domain names, online selling tools and search engine optimization. Insider's note: Intuit has several resale agreements with large telecom companies like Verizon, so don't be afraid to dig around to find a package discount.

Bottom line: This is by no means the slickest tool, but for a basic business site, Intuit isn't bad, and it's especially effective for QuickBooks users.

10 THINGS EVERY SMALL-BUSINESS WEBSITE NEEDS

The web is full of horrendous sites, and we're not just talking about bad design. There are many other elements besides how your website looks that go into making it customer-friendly—not to mention something that inspires them to actually do business with you. Here are the essentials that every small business website should have for it to effectively help you do business.

① A clear description of who you are

② A simple, sensible Web address

③ An easy-to-navigate site map

④ Easy-to-find contact information

⑤ Customer testimonials

⑥ An obvious call to action

⑦ SEO basics

⑧ Fresh, quality content

⑨ A secure hosting platform

⑩ A design and style that's friendly to online readers

5 steps to create a marketing plan

Put together a detailed marketing guide for business growth. —Tim Berry

While your business plan generally outlines your entire business, a stand-alone marketing plan focuses specifically, and in more detail, on just that one function. When business owners want to dive deeper into their marketing strategy, they will likely put together a detailed plan that outlines their marketing goals—as well as the steps needed to accomplish them.

Here's a five-step process for developing a marketing plan that will help you achieve your goals for business growth.

STEP 1: LOOK INWARD

Think of your company as if it were a person with its own unique personality and identity. With that in mind, create separate lists that identify your business's strengths, weaknesses and goals. Put everything down and create big lists. Don't edit or reject anything.

Then, find priorities among the bullet points. If you've done this right, you'll have more than you can use, and some more important than others. Kick the less important bullets off the list and move the ones that are important to the top.

STEP 2: LOOK OUTWARD

The next list you'll need to make outlines your business's opportunities and threats. Think of both as external to your business—factors that you can't control but can try to predict. Opportunities can include new markets, new products and trends that favor your business. Threats include competition and advances in technology that put you at a disadvantage.

Also make a list of invented people or organizations that serve as ideal buyers or your ideal target market. You can consider each one a persona, such as a grandmother discovering e-mail or a college student getting his or her first credit card. These people are iconic and ideal, and stand for the best possible buyer.

Put yourself in the place of each of these ideal buyers and think about what media he or she uses and what message would communicate your offering most effectively. Keep your identity in the back of your mind as you flesh out your target markets.

STEP 3: FOCUS ON STRATEGY

Now it's time to pull your lists together. Look for the intersection of your unique identity and your target market. In terms of your business offerings, what could you drop off the list because it's not strategic? Then think about dropping those who aren't in your target market.

For example, a restaurant business focused on healthful, organic and fine dining would probably cater to people more in tune with green trends and with higher-than-average disposable income. So, it might rule out people who prefer eating fast-food like hamburgers and pizza, and who look for bargains.

The result of step three is strategy: Narrow your focus to what's most in alignment with your identity and most attractive to your target market.

STEP 4: SET MEASURABLE STEPS

Get down to the details that are concrete and measurable. Your marketing strategy should become a plan that includes monthly review, tracking and measurement, sales forecasts, expense budgets and non-monetary metrics for tracking progress. These can include leads, presentations, phone calls, links, blog posts, page views, conversion rates, proposals and trips, among others.

STEP 5: REVIEW OFTEN AND REVISE

Just as with your business plan, your marketing plan should continue to evolve along with your business. Your assumptions will change, so adapt to the changing business landscape. Some parts of the plan also will work better than others, so review and revise to accommodate what you learn as you go.

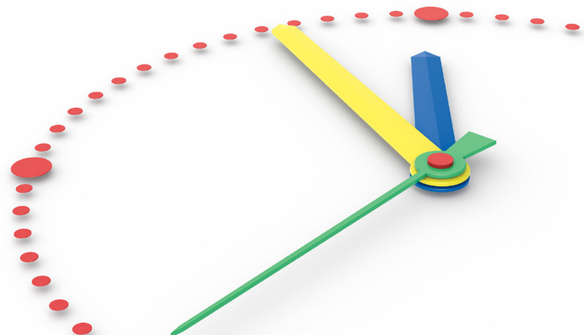
5 SOCIAL MEDIA MISTAKES YOUR STARTUP MUST AVOID

1. STARTING WITHOUT A PLAN. If you're tempted to skip creating a social media strategy for your business that outlines your goals and the resources you'll need to accomplish them, don't do it. By developing a plan, you create a critical foundation on which the rest of your social media efforts are based.

2. TIMING SOCIAL MEDIA POSTS POORLY. One of the biggest mistakes I've seen startups make is not knowing who the customer is and how he or she behaves on the social web. A report from my marketing analytics firm KISSmetrics shows that tweets posted at about 5 p.m. have the highest chance of being clicked on and shared.

How to launch a social media marketing plan

Don't waste time on Facebook and Twitter. It only takes 24 hours to roll out this game plan. —Jonathan Blum



It only takes one day—24 hours—to launch a social media marketing strategy for your startup. That is, if you know how to spend your time. To keep you from entering the social media time vortex, here's a step-by-step, hour-by-hour guide to designing, building and rolling out your own web 2.0 marketing plan. Ready? Begin!

00:00 - 02:00
CREATE A SIMPLE WEB PAGE

The fact is, no matter what social media webs you spin, your business still needs a single, easy-to-find web space that defines your brand message, matches that brand to basic search terms customers might use to find you and provides clear and accurate contact information. **Tools to use:** Do not bother with pricey web designers or developers. Basic website tools like those from Google Apps, Windows Live and Intuit Websites offer powerful low- or no-cost web services that work perfectly well.

02:00 - 06:00
CONNECT WITH YOUR CUSTOMERS ON LINKEDIN

LinkedIn has all the information on your best customers laid out right where you can find it. **Tools to use:** All you need is a solid personal profile touting your experience, why someone would want to do business with you and about a half-dozen recommendations.

06:00 - 12:00
PROFESSIONALIZE YOUR FACEBOOK IMAGE

Facebook is fabulous for posting an up-to-the-minute log of what you and your business are doing. **Tools to use:** You will need a personal Facebook profile and a business page. By regularly posting fresh links, posts, images and branding information, slowly what will emerge is a coherent, up-to-date personal and professional image of you and your company.

12:00 - 14:00
GO REAL-TIME WITH TWITTER

You are ready to add in the fast-twitch marketing muscle of Twitter. **Tools to use:** Start with a personal, rather than a company, Twitter feed. The goal here is to follow your customers, tweet about what's relevant to your business, retweet content that's interesting to your customers and offer short, concise thoughts on your market. A few tweets a day is more than enough.

14:00 - 18:00
TINKER WITH SOME COOL STUFF

Before you go live, take a few hours to test-drive some of social media's latest tools. **Foursquare:** The goal is to reward loyal customers with preferential treatment and discounts. **Groupon:** This tool lets you offer a deep discount on a single day for a single product to drive awareness and business. But be careful, your operation may be flooded with deadbeats who have no intention of returning to pay full price. **ShareSquare:** This site uses customizable barcodes that can be loaded with company information and placed into printed materials, where customers then use their smartphone cameras to capture the encoded info.

18:00 - 24:00
TEST. ADAPT. UPDATE. REPEAT.

Now comes the critical part: learning to keep things manageable. Considering the power and potential of even one of these tools, it's easy to get distracted by the sheer vastness of it all. Don't sweat it. You only need to serve a few new customers.

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3 BREAKING SOCIAL MEDIA RULES OF ETIQUETTE. Don't start a social media campaign without having at least a basic understanding of some of the rules. Here is a simple list I follow: 1. Start conversations by asking thought-provoking questions. 2. Don't follow someone on Twitter, then unfollow them when they unfollow you. 3. Promote other people as well as your own brand. 4. Don't spread yourself too thin.

4 FAILING TO MEASURE SOCIAL MEDIA SUCCESS. Although it might not be easy to measure something like a conversation, you are able to measure factors such as your total online community size, the number of mentions of your brand across the social web and all the traffic referred to your business's website. These useful tools can help: PageLever, Simply Measured and SocialMention.

5 IGNORING YOUR COMPETITORS. Knowing who your competitors are and what they are doing is just as important as knowing everything about your own business. To keep an eye on your competitors over social media, look at their website, locate their social media icons, sign up as a fan and start watching what they do. It's just as important to see what their fans are saying and use those reactions to improve your own business. —Neil Patel

3 tips to create a killer networking strategy

Establish a plan to find and connect with key business contacts —Ivan Misner

As you try to get your business up and running, determining which networking events to attend and which to skip can be tricky. It's all about the return on investment. How will your business benefit by you attending vs. the time and resources it takes to be there.

This is when having a networking strategy will come in handy. Here are three essential questions you should answer in order to create a networking plan that will work for you.

1. WHO ARE MY BEST PROSPECTS?

Often, business professionals find themselves trying to attend every networking event that comes down the pike. The usual result is that they don't wind up getting as much business from their networking efforts as they'd like to.

Having a strategy will help eliminate this problem. If you're not sure who the right contacts are for your business, go back and take a look at your past client list. What industries were they in? How long had they been in business? Were your clients even businesses to begin with or have you worked mostly with consumers?

2. WHERE CAN I MEET MY BEST PROSPECTS?

If you're trying to meet more small-business owners, you'll want to spend time at the chamber of commerce, your local business association or with a referral. Not only do these groups have exactly the type of audience you want to meet, there's a system in place that helps you help others to get more referrals for you.

ATTENDING CHAMBER OF COMMERCE EVENTS IS USUALLY A GOOD STARTING POINT.

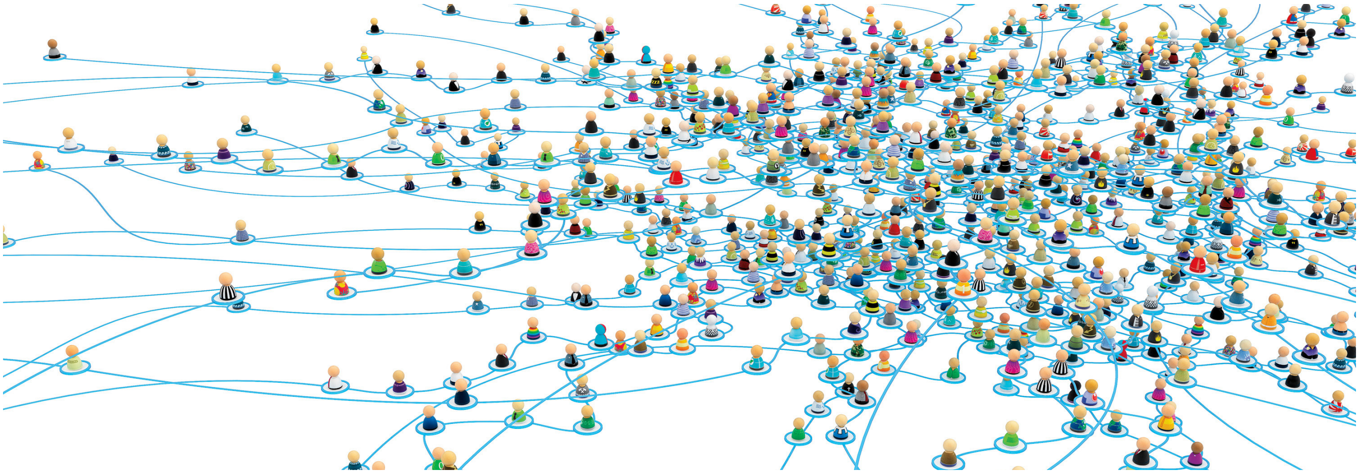
If you're looking to meet representatives from bigger corporations in your area, I recommend service clubs, nonprofit groups and volunteer work. Another good way is by attending homeowners' association meetings. It's a great way to connect with people who work in the corporate world but don't attend typical networking events.

3. OF MY PROSPECTS, WHOM EXACTLY DO I WANT TO MEET?

The principles behind making the right kind of connection—summed up in the simple aphorism "You don't know who they know"—are ably outlined by network expert Wayne Baker at business networking consulting company Humax Networks in a referral tool he calls the Reciprocity Ring. Boiled down to its essentials, the idea is that the greater the number of networks you're connected with, the greater the chance that there's a short chain of contacts between you and anyone you'd care to name. All you have to do is recognize that fact and ask a few people a specific question or two. The answers will either put you in direct contact or lead you in the direction of the networking events you need to attend.

The way to meet the unknown contact is to be as specific as possible without closing out all possible variations.

Finally, remember that it's important to surround yourself with quality business contacts. Very often, the best way to your ideal contact is through another contact.



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4 simple ways to find customers

For new business owners, finding customers is job No. 1. Here's how to get the job done. —Brad Sugars

What most people call getting new customers, I call "buying" new customers. The reason? If you stop and think about the price you're paying to bring in added shoppers in terms of time or money, you can start to make better decisions about how and where to put those resources.

The practice is especially important for new business owners who tend to not only have more limited means, but also don't generally register a profit from a new customer until the fifth or sixth purchase. And without a stable of customers to tap for repeat purchases, being more careful about where you ply your limited resources can only serve you. Here are four simple ways to "buy" new customers:

1. ADVERTISING.

The key to advertising successfully is to generate promising leads in exchange for the money you spend. To do so, it helps to offer a message that not only hits on your target customers, but also showcases the value you can offer them.

2. REFERRALS.

Landing referrals isn't just a cheap way to pick up some initial business, it's also a way to pick up customers with the highest retention rates. What's more, referral customers tend to purchase more over time and in turn become a source of additional referrals.

How do you find referrals? Ask for them from satisfied customers. Be sure to also find ways to continually thank your sources for their ongoing advocacy of your business.

FINDING NEW CUSTOMERS IS ESPECIALLY IMPORTANT FOR NEW BUSINESS OWNERS WHO TEND TO HAVE LIMITED MEANS.

3. TEAMING UP.

Another way to leverage available resources is through what's known as a host-beneficiary arrangement. In this arrangement, another business with the same target customer will use their database to promote your business.

4. STRATEGIC ALLIANCES.

You might take that partnership a step further and form what's known in the industry as a strategic alliance. While a host-beneficiary relationship is generally a one-time or short-term commitment, strategic alliances can sometimes last for many years. For instance, a web designer and an ad agency might send each other referrals for clients who need added services.

As long as there's continued value to the shared audience, strategic alliances produce streams of referral business, which is ultimately what will benefit you most over time.

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