Guide to Starting a Business

Indiana
SMALL BUSINESS
DEVELOPMENT CENTER

About the Indiana Small Business Development Center

The Indiana SBDC, housed within the Indiana Economic Development Corporation (IEDC), helps businesses start, grow, finance, innovate, and transition through no-cost, confidential business advising, and training.

Our network of 10 regional offices, with more than 60 advisors statewide, provides one-on-one consulting, business education, market research, and more to entrepreneurs and small business owners in all of Indiana's 92 counties.

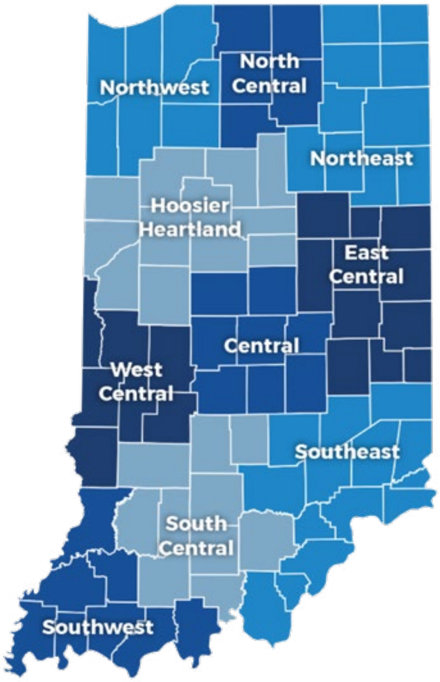
Visit ISBDC.org to become a client and begin working with your regional office so you can start stronger, grow faster, and work smarter.

Though this guide is not a substitute for legal or financial counsel, it is an informational resource designed to provide you with helpful information when working with an Indiana SBDC advisor to start and operate a business in Indiana.

Steps to Starting a Small Business

There is a logical sequence of actions for starting a business:

1. **Perform a Self-assessment** — PAGE 03
2. **Perform Market Research** — PAGE 06
3. **Refine or Reconsider Your Business idea** *Is it Viable?* — PAGE 15
4. **Analyze Your Startup Costs** — PAGE 16
5. **Refine or Reconsider Your Business idea** *Is it Feasible?* — PAGE 18
6. **Write Your Business Plan** — PAGE 19
7. **Complete the Startup Checklist** — PAGE 22
8. **Secure Financing** — PAGE 28
9. **Start Your Business!** — PAGE 32



In the sections that follow, each step is outlined in detail. This guide will help you stay on track, manage the various steps, and consider all the essentials.

1

STEP 1:

Perform a Self-Assessment

Being your own boss is an exciting idea, but self-employment isn't for everyone. If you are thinking about starting a business, you will want to consider whether you're suited for it, both personally and professionally.

The self-assessments that follow are designed to help you think through your personal, professional, and financial readiness for self-employment. Thinking through these prompts will help you:

- Assess your reasons and qualifications for going into business
- Set personal and business goals
- Consider if this is the right time to start a business
- Determine if you have the freedom, flexibility, and resources to start a business
- Evaluate your health and stamina
- Plan how you will balance family and business obligations

We recommend that you take a completed version of these self-assessments to your Indiana SBDC advising sessions to provide insights about you and your business readiness and help make the most of your time with us. Think through the following prompts and answer as honestly and in as much detail as possible. There are no right or wrong answers — only helpful insights.

1

Are You Ready to Be an Entrepreneur?

The Indiana SBDC, through more than 35 years of working with entrepreneurs in Indiana, has developed the following list of optimal characteristics that successful entrepreneurs typically embody. We suggest you review this list and talk with your Indiana SBDC Advisor to assess your suitability.

- ☐ **Clarity of Purpose, Motivation and Passion**
  Successful entrepreneurs are typically passionate about their business idea, are self-motivated, and are clear about what they feel called to do.

- ☐ **Self-Discipline**
  As an entrepreneur, you'll need to manage multiple tasks, deadlines, and responsibilities, and have the self-discipline to get things done.

- ☐ **Belief in Yourself**
  Starting a business can be challenging, and entrepreneurs should have the inner drive and belief in themselves to make their ideas come to fruition.

- ☐ **Persuasiveness**
  You'll need to not only engage potential funders and help them see the value of your business, but also be able to clearly communicate to your customers the benefit of your products or services.

- ☐ **Adaptability**
  Entrepreneurship is wrought with changes and ups and downs, and successful entrepreneurs are those who can "roll with the flow" and be flexible to changing scenarios as they arise.

- ☐ **Risk Tolerance**
  Being willing to take risks is a key component of entrepreneurship. Successful entrepreneurs typically have a higher tolerance for taking risks, know when to take them and when it's beneficial to the business.

- ☐ **Decisiveness**
  Entrepreneurs are faced with numerous opportunities and paths, requiring the ability to weigh options, think clearly, and make decisions in the best interest of the business.

1

Are You Ready to Start a Business?

1. Why do you want to start (or continue growing) a business?
2. What kind of business do you want to launch or expand?
3. Why do you think you can make this type of business work?
4. Why do you think this type of business is sustainable?
5. Do you have the necessary education, skills, and experience to succeed in this industry?
6. Are there additional qualifications you should obtain before you start your business, and how can you achieve them?
7. What is the true purpose and/or goal you hope to accomplish with this business?
8. What is the financial goal you are seeking to achieve?
9. Will you need financing, and do you have the high credit score, assets, collateral, and financial history to be eligible for financing?
10. What are your personal and professional strengths?
11. What are your personal and professional weaknesses?
12. How would you describe your physical, mental, and emotional health and stamina?
13. What knowledge and skills do you have to start and manage the day-to-day operations of a business?
14. Do you know and understand the technology necessary to be competitive in this industry?
15. Do you generally have good judgment in people and ideas?
16. What sacrifices and risks are you willing to take to be successful?
17. How will you balance your personal life and business demands?

STEP 2:

Perform Market Research

2

The next and most important task you need to accomplish before you start your business is to determine if your idea is feasible. Market research is the process of gathering facts and statistics to make an informed decision about the market potential for your business. It also helps you understand the prospects for success and the direction your business should take.

Market research is a critical step both at the start of your business and as your business evolves. Skipping this step puts your business at the risk of not launching successfully. Your Indiana SBDC advisor is a significant resource for market research. They have a number of research resources available to you at no-cost that will truly help you refine your business idea. Be sure to discuss this important step with your advisor!

Who Is Your Customer?

You'll need to decide, broadly, who your primary customer is going to be. Businesses typically fall into two general categories:

BUSINESS-TO-CONSUMER (B2C) COMPANIES

B2C companies primarily sell products and services directly to consumers. Any time you purchase something for yourself, you're likely buying from a B2C company of some kind. Grocery stores, art galleries, hardware stores, lawn service providers, and pizza restaurants are all examples of B2C companies.

BUSINESS-TO-BUSINESS (B2B) COMPANIES

B2B companies primarily sell products and services to other businesses. Suppliers, parts manufacturers, marketing agencies, technology companies, and many others fall into the B2B category.

Some businesses may do a bit of both. A farm, for example, might sell their produce to a restaurant (B2B) and sell directly to individuals at a farmers' market (B2C). You can determine the greatest opportunities for your initial business idea through market research.

Components of Effective Market Research

2

Effective market research consists of a variety of components — each one providing deep and valuable insight into your business idea.

Imagine you were considering opening a pizza restaurant. A pizza restaurant is classified as part of the fast-food industry, and you would want to perform the following types of research to get started:

INDUSTRY RESEARCH

Industry research will help you understand the big picture of what's happening in relation to your type of business. Look for answers to questions like:

- How many pizzas get sold in the U.S., Indiana, or your local area each year?
- Have pizza sales been increasing or decreasing in recent years?
- What trends exist related to specialty pizzas, healthier alternatives, changes in sizes, packaging, etc.?
- Are more pizza restaurants going in (or out of) business in recent years?
- In other words, what does the big picture look like for the pizza world?

2

RESEARCHING MARKET SIZE AND CUSTOMERS

The market includes all consumers or businesses that may be interested in buying your product or service; meanwhile, customers are those who actually do buy. Within a market, there will be specific groups of customers who will represent the greatest percentage of your sales, and you can generally define them by a common set of characteristics. These groups of customers who share common characteristics are called market segments.

Questions to answer when performing market research for a pizza restaurant would include:

- How many people and businesses are buying fast food in the area or location you're considering? (This is the total market size.)
- How often do they buy?
- Which segments are most likely to buy and how big are they?

If you multiply the number of likely customers by their purchasing frequency and by the price of their purchases, it will give you some idea of the market potential for your product or service. For example, if you have 100 potential customers near your business who each order 20 pizzas per year, and if you charge an average of $15 for a pizza, you would be looking at $30,000 in potential revenue (100 customers x 20 pizzas per year x $15 = $30,000 per year). Your Indiana SBDC advisor can help you determine this.

2

COMPETITION RESEARCH

Your competition includes two types of businesses. Direct competitors sell a product or service that is exactly like yours. Indirect competitors sell products or services that are similar or alternative to yours.

Questions about your competitors might include:

- Where are other pizza restaurants located? What are they like?
- What other fast food and alternative food options exist, and where are they located?
- Why would prospective customers buy your pizza and not choose other options?
- Is there an unmet need where you are hoping to establish your business?
- Are you offering something totally unique in this space?
- Are potential customers dissatisfied with other choices for a reason that you can improve upon?

2

Where can you find this type of information?

Unfortunately, it's rarely all in one place. This is where your Indiana SBDC advisor can be really helpful — assisting you in identifying the tools available to you and in gathering information. Your advisor is often the best source for market research by providing reports and identifying the tools that best meet your needs. Some other useful sources, tools, and resources for market research include the following:

THE LIBRARY

Many library locations have business librarians and space dedicated to business reference materials. Wherever possible, look for information in sources and references related to your type of business.

Some publications in which you might find information include:

- Trade association publications
- Trade journals and industry publications
- The Encyclopedia of American Industries
- The Encyclopedia of Global Industries
- Economic census reports such as the Census of Retail Trade, Census of Wholesale Trade or Census of Service Industries
- Other governmental statistic sources published by federal, state, and local agencies Annual Statement Studies from the Risk Management Association (RMA)

NOTE:

We strongly encourage you to talk first with your Indiana SBDC advisor about the many no-cost resources available to you before you consider paying for market research.

THE INTERNET

You may also be able to find helpful tools and resources on the internet. To get the most out of internet searches, try to define your search terms as precisely as possible and use other online research strategies:

- Make a list of all the keywords and strings of keywords associated with your type of business.
- Keep track of which searches you have performed already so you don't end up duplicating your efforts later.
- Save time by visually scanning search results to see if a site contains potentially significant information.
- If a site has good information, print out or save the materials so you can refer to them later and cite the source in your business plan. Thomas Publishing is one resource available to provide insight into competitors.

2

PRIMARY SOURCES

You may also need to hit the pavement and do some research with primary sources. Examples include:

Industry Experts and Successful Business Owners

Talk to people in the industry. You can gain valuable insights about opportunities and challenges by speaking to people who know the industry from the inside.

You may also consider finding a mentor. A good mentor could be someone who owns a successful business like the one you want to start. Ideally, they won't be a direct competitor, and they will operate outside the geography of your intended area.

Surveys

Build and conduct a survey or focus group to gather information from businesses or potential customers.

Visit Potential Competitors

Observe your closest competitors from the perspective of a customer. This will help you gain insights about what matters most when customers are purchasing a product or service. Analyze your competition's business model to identify their strengths, which you'll have to work hard to overcome, and weaknesses, which you can turn into opportunities for your business.

Similarly, you may want to investigate competitors' websites, marketing efforts, and advertising. Study what they do, the image they present, and the style of their marketing to get a sense of what you can do to distinguish yourself.

Regardless of where or how you get your information, becoming a good market researcher is a valuable business skill for you to acquire. Market research is the basis for evaluating potential opportunities and analyzing the ever-changing factors affecting your business at its start and as you grow.

2

MARKET RESEARCH CHECKLIST

Use this checklist to identify the types of research and information you believe you need for your business and talk with your Indiana SBDC advisor to fine-tune and identify sources.

Size of the Industry

- [ ] Growth potential of the industry
- [ ] Historical trends in growth or losses
- [ ] Seasonal or economic trends
- [ ] Professional associations within the industry
- [ ] Other related industries
- [ ] Distribution channels
- [ ] Opportunities
- [ ] Threats

Market Segment

- [ ] Best opportunity: businesses (B2B), consumers (B2C), or a combination of both?
- [ ] Total number of potential buyers
- [ ] Segments (groups with similar attributes)
- [ ] Segment(s) with the greatest need and/or demand
- [ ] Market trends: political, social, environmental, seasonal, etc.

B2C Customer Research

- [ ] Best opportunity: businesses (B2B), consumers (B2C), or a combination of both?
- [ ] Total number of potential buyers
- [ ] Segments (groups with similar attributes)
- [ ] Segment(s) with the greatest need and/or demand
- [ ] Market trends: political, social, environmental, seasonal, etc.

2

MARKET RESEARCH CHECKLIST CONTINUED

B2C Customer Research

- [ ] Size of the population
- [ ] Predominant gender
- [ ] Age(s)
- [ ] Ethnicity and race
- [ ] Education level
- [ ] Occupation or job title(s)
- [ ] Income level
- [ ] Average amount of debt
- [ ] Homeowners or renters
- [ ] Car owners
- [ ] Marital status
- [ ] Family status (number of children)
- [ ] Pets (type and number)
- [ ] Preferred media (magazines, newspapers, social media, television, radio, mobile phone, etc.)
- [ ] Purchase preferences (in person, internet, phone, catalog, etc.)
- [ ] Product or service characteristics that are valued most by the purchaser
- [ ] Payment preference (cash, credit, etc.)
- [ ] Frequency and quantity of purchase(s)
- [ ] Average dollars spent annually on this type of purchase
- [ ] Customer preferences and perceptions about quality, convenience, branding, image, exclusiveness, mass appeal, etc.

2

MARKET RESEARCH CHECKLIST CONTINUED

B2B Customer Research

- [ ] Industries, markets, or segments
- [ ] Products or services
- [ ] Number of employees
- [ ] Length of time in business
- [ ] Geography and location(s)
- [ ] Purchasing patterns (how much, how often, etc.)
- [ ] Purchasing process
- [ ] Outsourcing patterns, policies, etc.
- [ ] Local, national, or international purchaser
- [ ] Economic factors that influence the market
- [ ] Government policies that influence the market

B2B Customer Research

- [ ] Competition Research
- [ ] Direct competitors
- [ ] Indirect competitors
- [ ] Potential future competitors
- [ ] Annual sales and revenue
- [ ] Marketing and advertising methods and results
- [ ] Geography and location(s)
- [ ] Distribution channels
- [ ] Outsourcing patterns, policies, etc.
- [ ] Sources for production, services, inventory, etc.
- [ ] Strengths
- [ ] Weaknesses
- [ ] Opportunities (especially for differentiation)
- [ ] Other notes

Step 3:

Refine and Reevaluate Your Business Idea — Is it Viable?

3

Once you've gathered and reviewed your market research, you can make data-driven decisions about your business. The important question to try and answer at this stage is this: should you refine your business idea based on your market research?

To answer that fundamental question, you'll need to answer questions like:

- Is there a need or opportunity in the marketplace for your products or services?
- Who are your most valuable customers, and what problems do your products or services solve for them?
- What is your value proposition?
- Why would a customer buy from you instead of a competitor or alternative provider?

If you cannot confidently answer those questions, refine your business idea and revisit the market research. If you can answer those questions confidently, then now is the time to start making some estimated revenue projections for your business.

As you evaluate your business idea, make sure you are considering the facts and are making decisions based on what you know, not what you think or feel.

3

Step 3:
PRICING MENU

To get started, create a pricing "menu" for all your company's products and services. Make sure to include the expected margins for all products and your fee schedule for all services. You may want to reference your competitor market research to understand competitive pricing for your market.

As an example, let's say you're an electrician. You plan to charge $80 per hour each visit plus an additional $60 per hour after the first hour. If you expect 10 visits per month for the month of June, with 6 of those visits lasting 1 hour and 4 of them lasting 2 hours, your projected revenue for June would be:

($80 x 10 hours) + ($60 x 4 hours) = $800 + $240 = $1,040

Once you've created initial revenue projections, you'll have some basis to decide whether your small business will generate enough sales to achieve your personal and business goals.

After market research and careful consideration, most entrepreneurs adjust their original concept in some way. Usually, they reduce the scale of their idea, especially when they allow for the possibility that sales will develop more slowly than expected.

Step 4:

Analyze Your Startup Costs

4

Businesses commonly fail during the first year because they hit a financial wall before opening or soon after. Many different factors contribute to this, and most of them are related to financial planning. **For example:**

- Owners may fail to estimate the true cost of starting the business they have in mind.
- Entrepreneurs discover that it will cost more money than they have to get the business open or keep the doors open.
- Business founders have unrealistic expectations about available resources. Grants, tax incentives, and startup loans are typically scarce, competitive, and difficult to obtain.
- Business owners have unrealistic expectations about how quickly they will start making money. Most businesses need sources of cash to stay afloat until they do start making money.

To avoid these common financial missteps, you need a well-researched estimate of what it will cost to start the business you have in mind. With an accurate analysis of your costs, you can align the reality of your available resources with your expectations about the feasibility of your business. Based on your financial situation, you may need to refine or reconsider your idea.

Most businesses start by "bootstrapping:" using their existing resources to work toward a larger goal. Working on your business part-time, developing a group of loyal customers, and other strategies can help you build slowly but steadily until you can achieve your vision. Every large business started as a small business, and every business succeeds by growing one customer at a time.

4

Cost Analysis Worksheet

Use this startup cost analysis worksheet to estimate how much funding you will need to launch your business.

Some of the following items may not apply to your business.

For each item on this list, you should have an accompanying list of itemized details.

Your Indiana SBDC advisor can help if you get stuck.

LAND & BUILDINGS

Down payment or lease costs	$
Closing costs	$
Remodeling or buildout	$
Utility deposits	$
Other	$

EQUIPMENT

Furniture	$
Fixtures	$
Production machinery or equipment	$
Computers and software	$
Telecommunications equipment	$
Cash registers or POS systems	$
Signage and installation	$
Other	$

MATERIALS & SUPPLIES

Starting inventory	$
Production materials and components	$
Office supplies	$
Other	$

MARKETING, IMAGE & BRANDING

Marketing and design assets	$
Advertising budget	$
Promotional items and activities	$
Other	$

OPERATIONS & FEES

Professional fees *(accountant, lawyer, etc.)*	$
Patent and trademark fees	$
Insurance *(health, life, fire, liability, cybersecurity, etc.)*	$
Licenses and permits	$
Trade association memberships	$
Other	$

PERSONAL LIVING EXPENSES

From last paycheck to opening day	$
3-6 months after opening day	$
Moving expenses	$
Other	$

CASH RESERVE & CONTINGENCY FUNDS

Opening expenses	$
Wages, salaries, and taxes	$
Other	$

TOTAL	$

5

Step 5:

Refine and Reevaluate Your Business Idea — Is it Feasible?

Again, after you've carefully reviewed and analyzed the costs associated with starting your business, you can make data-driven decisions about moving forward. The important question to try to answer at this stage is this: should you refine your business idea based on your financial situation?

To answer that fundamental question, you will need to answer other questions like:

- Will investing in your business idea put you in financial jeopardy?
- Can you justify the financial risk with the potential business value of your idea?
- Will you be able to generate enough sales in a reasonable amount of time to offset the costs of launching your business?

After financial analysis and careful consideration, most business owners adjust their original concept. Usually, they reduce the scale of their idea, especially when they allow for the possibility that expenses will likely be higher than estimated.

LACKING FUNDS RIGHT NOW DOESN'T MEAN YOU'LL NEVER BE ABLE TO START A BUSINESS —

it just means you need to rethink how you'll start your business.

6

Step 6:

Write Your Business Plan

You may be tempted to skip this step, thinking that you've already done a lot of research into your idea and are ready to go. However, there are critical reasons to spend time writing your business plan.

WHY WRITE A BUSINESS PLAN?

- **Gain financing and investors**
  If you seek financing or investment, lenders and investors require a written plan. A complete business plan provides information they need and clearly communicates your plan. Their decisions about investing in your business will be based on all the information in your business plan, not just the financials.

- **Consolidate all your information**
  Ideas and thoughts in your head aren't a plan. The process of putting a business plan together helps you synthesize all the information you have gathered and organize it in one place. Developing a comprehensive business plan forces you to see your business project in its entirety, including its strengths and shortcomings.

- **Test your idea**
  Writing your business plan acts as a virtual simulation. Before you invest your time, energy, and money, the business plan helps you understand the economic environment, envision different financial scenarios, identify and locate your markets, sort out the logistics of operations and management, and much more. It also allows you to consider your idea in its entirety and adjust your business model for needs or opportunities. By writing a business plan, you reduce your risk and increase your chances for success!

- **Manage your business after launch**
  Your written business plan is also a management tool. It provides benchmarks and milestones to help you measure your success. It communicates business goals and priorities to your team and keeps everyone heading in the same direction.

6

Writing Your Business Plan

Every entrepreneur should have a business plan — no matter how small the business. A business plan should tell a compelling story as it communicates information about your business, your goals, the market, and more. As you write your business plan, find ways to make each section more interesting to readers, especially if the plan will be used to acquire funding.

The advisors at the Indiana SBDC have learned that the way you structure your business plan can vary, based on the type of business, whether you're seeking funding, and other components. Your advisor will work with you to identify the business plan process that works for you.

To help you get started in your thinking, we've listed the various components typically seen in business plans. Review these and start to consider how you'll include these areas when you talk with your SBDC advisor. Your advisor may recommend adding or removing sections based on your needs.

COMPANY DESCRIPTION

You'll fully and concisely describe your business, including topics such as why you created it, your capabilities, products or services, unique offerings, and more.

MARKET ANALYSIS

You'll share key market analysis and customer information you acquired when doing market research, so that you can show potential readers that you've done your homework and have a viable business.

6

MARKETING AND SALES PLAN

Your marketing and sales plan will show that you've given thought to understanding how to reach your customer and the strategies you plan to utilize to connect with them.

MANAGEMENT AND OPERATIONS

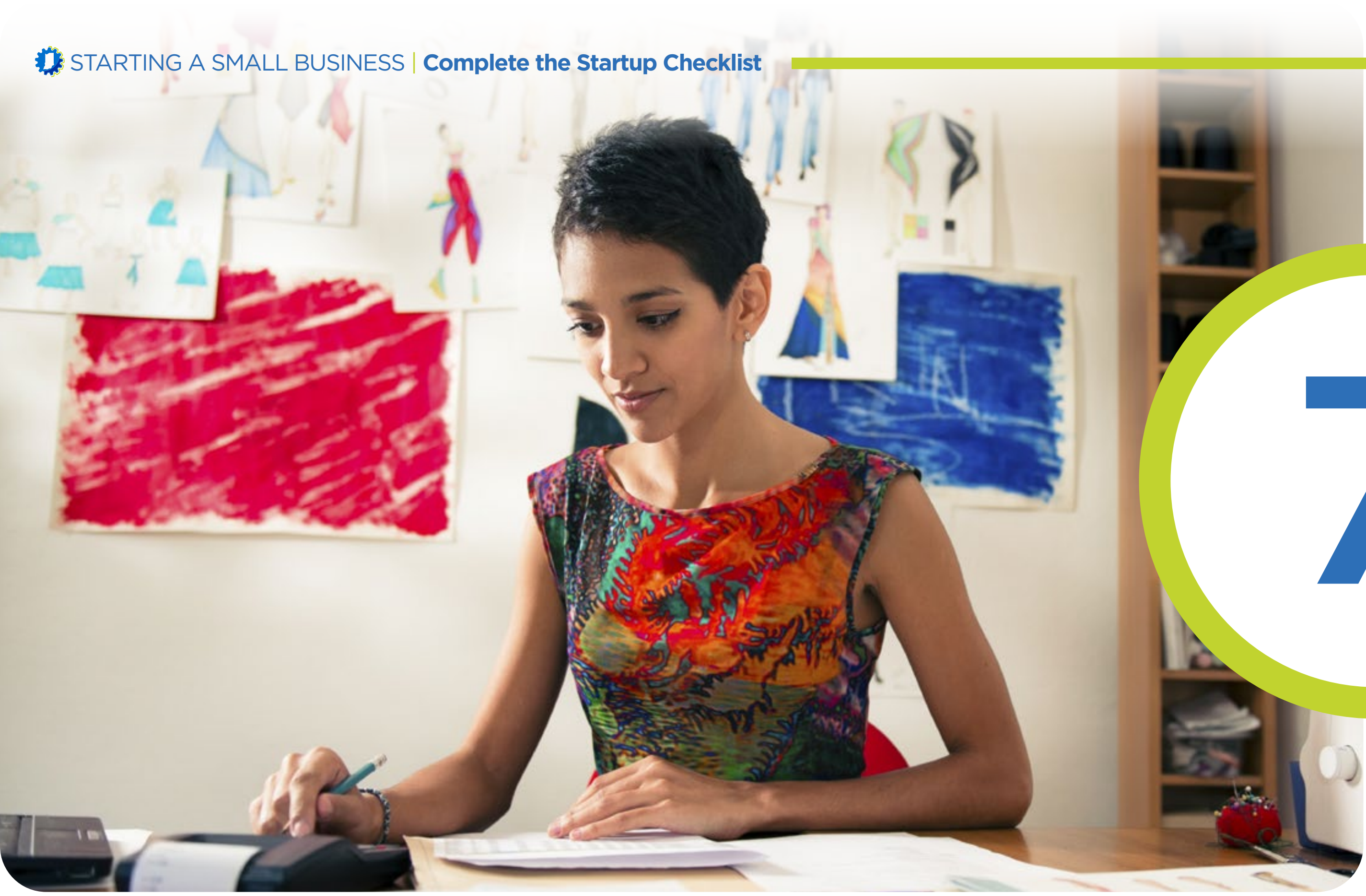
The management and operations plans will show how your business will be run. Even the best and brightest entrepreneurs cannot do everything, so you'll include topics such as whether you will use employees and the skills they bring, ensuring customer satisfaction, your plans for growth, and much more.

FINANCIALS

In this section, you'll include the financial goals and projections for your company, including details on start-up costs, ongoing revenue and costs, future needs, and more.

There may be other items you'll need to include in your business plan, again depending on the type of business you're starting and what information specific lenders or investors require. Your Indiana SBDC advisor is your best partner to help you create an effective plan for your needs.

Indiana SBDC advisors have a variety of business plan templates that can help you write your business plan. They can advise you on which templates best serve your purpose and meet the requirements of lenders or investors you're considering.



7

Step 7:

Complete the Startup Checklist

In addition to steps one through six above, there are a number of logistics involved in forming and finalizing your business structure and legal entity. You may have accomplished a few of these tasks already, and these tasks may be completed at any time in the startup process. However, we recommend first determining if there is a market opportunity for your business before moving forward with any logistics.

By investing in research and planning early in the process, you can avoid losing money and suffering through the complicated process of having to undo establishing and registering an entity, filing for an EIN, and other registrations.

Your Indiana SBDC advisor has additional information available to help you through these intricate steps.

7

NAME AND LEGAL STRUCTURE

Selecting a name for your business and deciding on legal structure both need to be carefully considered. It is important to choose a name that is not already being used by another business, and there are many different forms of legal entities (which is not the same as a license to do business).

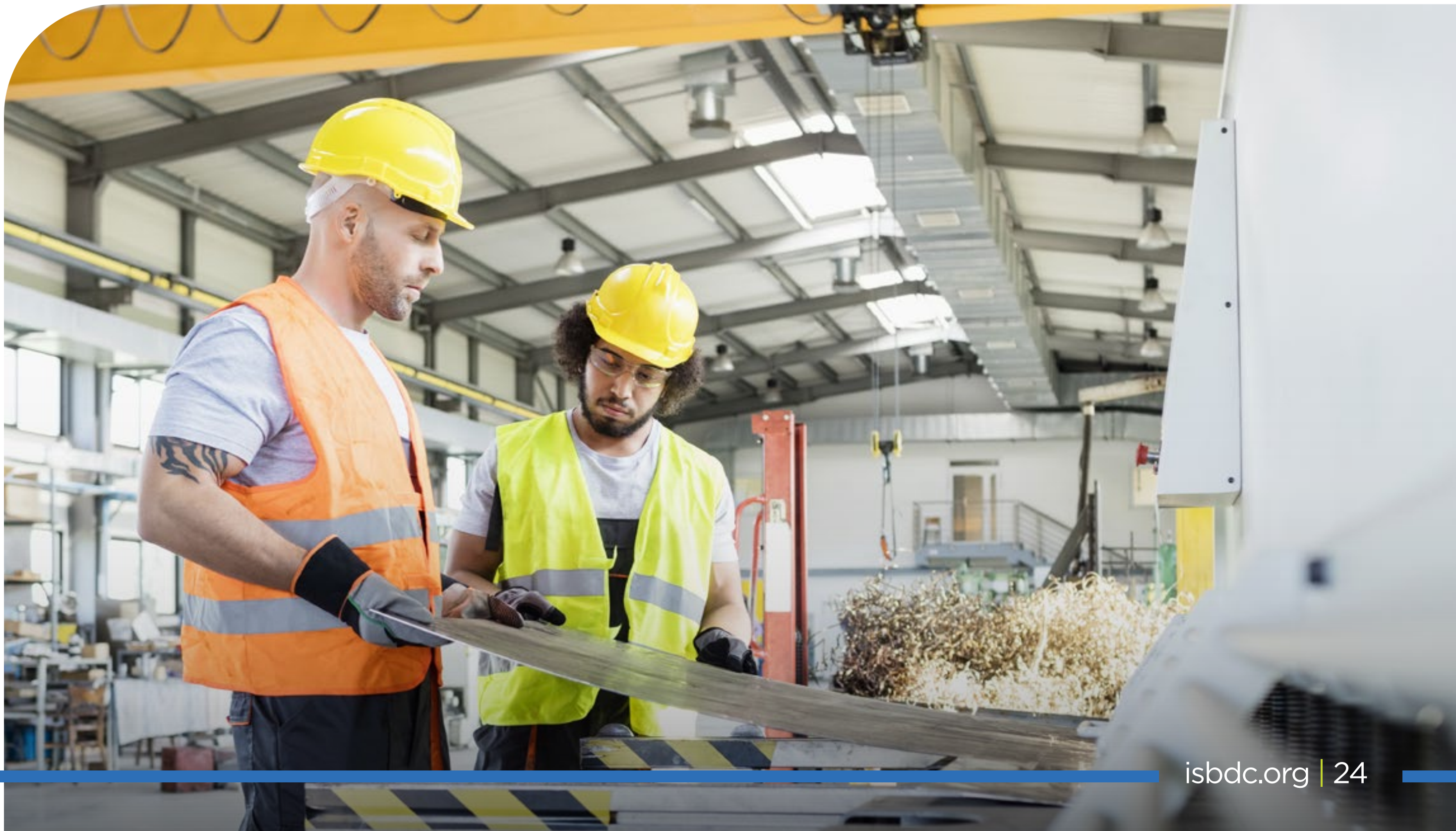
Selection of your legal structure depends on the type of business, potential risks, liabilities, income taxes, investment needs and other considerations. Common legal structures include sole proprietorships, partnerships, corporations, and Limited Liability Company (LLC).

The decision about which legal structure to select may be very complicated; therefore, it is recommended that you consult an Indiana SBDC advisor, attorney, and/or tax professional before deciding which structure is best for you.

FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN)

Any business with employees must have an Employer Identification Number (EIN). Federal guidelines also require an EIN if you have a qualified retirement plan, operate your business as a corporation or partnership, or file employment taxes or excise taxes. To obtain an EIN, complete Internal Revenue Service Form SS-4 or contact the IRS at 800-829-4933 for general EIN information.

If your business does not have employees or expect to, the IRS may not allow the business to obtain an EIN. In such a case, the business owner's social security number is used as the Federal Tax Identification Number.



7

INDIANA TAXPAYER IDENTIFICATION NUMBER (TIN)

Indiana requires businesses to register with the state and get a state tax ID number if they plan to sell taxable goods and services, hire employees, or need to register for excise taxes. Work with your Indiana SBDC advisor and legal counsel to make sure you're covering all the necessary steps.

DEVELOP YOUR BUSINESS' IMAGE AND BRANDING

A critical aspect of establishing and growing a business is your brand. Your branding will help you attract customers and communicate the character of your business. Plan it carefully and consider its staying power. Much of the value of a business accrues from the recognition of its brand and the reputation you achieve. Your Indiana SBDC advisor has resources available to help you with this step.

LICENSING

Indiana has over 400 different licenses, permits, certifications, and other permissions, which could be required to engage in certain activities. But note that not every business is required to be licensed by the State of Indiana. Licenses are required for certain activities that may be conducted in the course of doing business. Local governments may also require certain business licenses. Keep in mind that legal entity registration is not a license. Work with your Indiana SBDC advisor and legal counsel to make sure you're following all licensing requirements.

For more information on the variety of licenses required in Indiana check out the Indiana Business Owners Guide.

7

FOOD BUSINESS LICENSING

In Indiana, food establishments are governed by county health departments. Check the Indiana Department of Health website for a listing of all local health departments in the state.

For more detailed information about starting an Indiana retail food business, visit the Indiana Food Protection website.

BUSINESS INSURANCE

Contact a commercial or multi-line insurance agent to determine the types of insurance your business should purchase. And make sure to shop around. Insurance rates and types of coverage vary greatly across insurance carriers. Your Indiana SBDC advisor can assist you in locating an agent.

7

ZONING AND LOCAL REQUIREMENTS

Startups and expanding businesses need to make sure that the location of their space complies with all local laws and regulations. Although Indiana does not have a generic business license, check with your local governments (cities, townships, villages, etc.) as they may require businesses to be licensed. Unforeseen costs could arise for items like change-of-use permits and architectural drawings, so make sure to check with your local municipality before you launch your business! Your Indiana SBDC advisor can share local government information with you.

EMPLOYEE CONSIDERATIONS

If you plan to hire employees, note that business owners have additional responsibilities at both the state and federal government levels. Your Indiana SBDC advisor has resources available to help you when you get to this point.

7

INTELLECTUAL PROPERTY (IP): PATENTS, TRADEMARKS, SERVICE MARKS, COPYRIGHTS, ETC.

A patent is a grant of an enforceable property right to the inventor, issued by the United States Patent and Trademark Office. A trademark is a word, phrase, symbol, device, or any combination used to represent a company or product. A service mark is similar to a trademark and is used to identify and distinguish between services sold or advertised by a business from similar services of others. A copyright enables its owner to exclude others from reproducing certain kinds of works.

Note: Even if you're not considering these, it is important that you conduct a search of your business name, website domain name, etc. to ensure you're not infringing on another business. In Indiana, you can check the INBiz website, Indiana's one-stop resource for businesses.

We suggest you seek the advice of an Intellectual Property attorney if you are interested in pursuing a patent, trademark, service mark, or copyright. Your Indiana SBDC advisor can assist you in locating an attorney in your area.

PURCHASING AN EXISTING BUSINESS

If you are considering purchasing a business, it is important to understand what you are getting into. You should require detailed information from the seller regarding business operations and finances. As the purchaser of even a portion of a business, you may be responsible for the previous owner's liabilities regardless of any contractual language to the contrary. Make sure the seller provides proof that there are no existing or hidden liabilities. Before signing anything or a closing date, make sure you have reviewed the seller's tax clearance information and have met with an attorney. Your Indiana SBDC advisor can recommend attorneys in your area.

Step 8: Secure Financing

8

Now that you've estimated your costs, determined the feasibility of your business idea, and worked through your start-up checklist, it's time to start figuring out how you will secure funding for your business.

In the following section, we'll discuss the various options to secure small business funding.

It can be tempting to want to do this step earlier in the process and meet with a potential lender before meeting with your Indiana SBDC sdvisor.

However, we strongly encourage you to meet with your SBDC Advisor first, to ensure you have all the documentation needed to make your loan request.

PERSONAL FINANCIAL RESOURCES

Evaluating your personal finances and assets is a good way to start understanding your current financial situation. Common forms of personal financial resources include:

- Liquid cash in checking and savings accounts
- Financial potential from selling assets, like a vehicle
- Home equity
- Credit cards
- Cash value of life insurance
- Cash value of retirement investments
- Income from a full-time or part-time job while you build your business

Utilizing any of your personal financial resources carries risk. The more time and energy you invest into planning, analysis, and refining your business idea, the easier it will be to thoughtfully consider the risks and potential benefits of investing your personal finances into your business.

GRANTS

Are you hoping for a grant? We've all seen infomercials, ads and websites telling us about "millions in free money" for startups and small businesses. The myth of "free money" has been around for decades, and clever scammers often extract a hefty fee without delivering the results you sought. Federal and state government grant programs exist, but grant funding rarely goes directly to businesses or individuals.

Virtually all state or federal grant money flows to local governments, state agencies, and non-profits with highly restrictive eligibility requirements to help support regional or community programs.

If you still want to look for grants, you can search at Grants.gov.

You can also search the United States Small Business Administration (SBA) grants section at sba.gov/ funding programs/grants.

However, keep in mind that government grants are funded by your tax dollars and, therefore, require very stringent compliance and reporting measures to ensure that the money is well spent. Some business grants are available through state and local programs, nonprofit organizations, and other groups. These grants are not necessarily free money, and they usually require the recipient to match funds or combine the grant with other forms of financing, such as a loan.

8

US SMALL BUSINESS ADMINISTRATION LOANS

The SBA does not directly provide loans. However, a variety of loan guarantee and other support programs like 7(a) loans, 504 loans, and microloans are available through commercial lenders and Certified Development Financial Institutions (CDFIs). SBA loans reduce risks for lenders and often make it easier for small businesses to access loans. For more information, visit sba.gov/funding programs/loans.

LOANS

Traditional and non-traditional lenders use specific criteria to qualify or reject business loan requests. The following are key lender considerations:

- **Character and Credit History**
  Lenders and financiers are looking for reliable borrowers who have demonstrated responsibility and have a high credit score (typically 650 and above) over a period of at least 3-5 years.
- **Cash**
  Lenders expect you to be invested in your own business and pay 20%-30% of the total startup cost either as cash or cash plus equity investment.
- **Collateral**
  Lenders also expect you to pledge assets against the loan that have a net value greater than the loan amount. Note that “purchase value” isn’t the same as “resale value.” Banks and other lenders may discount the value of brand-new equipment to an amount they think they could get if sold it to satisfy the debt.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

Community development financial institutions (CDFIs) are private financial institutions that provide loans to small business owners, entrepreneurs, and community organizations that might not qualify for traditional financing. Many CDFIs focus on serving low-income, disadvantaged, and underserved communities. CDFIs are certified by the Community Development Financial Institutions Fund (CDFI Fund) at the U.S. Department of the Treasury, which provides funds to CDFIs through a variety of programs. Your Indiana SBDC advisor can help you identify your local CDFI.

8

EQUITY

This type of funding is normally offered in exchange for an ownership share and/or an active role in the company. Equity investors can help you start, scale, and grow your business in many ways, the most common are venture capital, angel, seed, and private equity investment. Your Indiana SBDC advisor can help consider equity options that might be right for your business.

- **Seed/Angel Investments**
  Seed and angel investments are usually the first investment in a business. The business may be pre-revenue with few to no customers. The size of the investment tends to be smaller because the risk is higher.

- **Venture Capital**
  Venture capital firms typically invest in early-stage businesses with a proven revenue model or a rapidly growing customer base. Businesses that receive venture funding usually have high growth potential or have demonstrated high growth. In partnership with the Indiana Economic Development Corporation (IEDC), Elevate Ventures provides capital and support to early stage, high growth startups in Indiana.

- **Private Equity**
  Private equity firms invest in established businesses with profitable margins and stable cash flow. These tend to be larger deals and can include acquisitions and restructuring.

Equity investments are not the best fit for everyone. Talk to your Indiana SBDC advisor about the pros and cons before pursuing investment opportunities.

REVENUE-BASED

With revenue-based financing, businesses can raise capital by dedicating a percentage of revenue in exchange for capital. By using a percentage, payments with revenue-based financing will be higher when revenues are up and lower when revenues are down. Revenue-based financing is most often used by small businesses who cannot otherwise secure more traditional forms of debt or equity capital.

SBIR/STTR

Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) programs are the largest source of early-stage technology financing in the U.S. SBIR/STTR programs are highly competitive and encourage research and development of cutting-edge technologies. Work with your SBDC advisor and take advantage of Indiana's matching program to determine if SBIR/STTR is right for your business.

8

CROWDFUNDING

Crowdfunding is a relatively new form of raising money to support ideas or projects. With crowdfunding, contributions or loans from individuals or interested parties are collected and distributed via a networked and publicly observable platform. Various platforms offering this type of funding can be found online. Because it is relatively new, state and federal rules governing these kinds of solicitations and securities are still evolving. If you're considering crowdfunding, make sure to seek professional advice from a qualified financial advisor.

Three primary types of crowdfunding exist:

- **Donation-Based Crowdfunding**
  Any crowdfunding where contributors receive no return could be considered donation-based crowdfunding. These campaigns are typically reserved for charities, disaster relief, helping people pay for medical bills, and similar causes.

- **Rewards-Based Crowdfunding**
  With rewards-based crowdfunding, contributors get a reward such as a product or service that the company receiving donations will be creating. By offering a reward, entrepreneurs can retain ownership of their business. However, it comes with some risks. Will you be able to fulfill all your reward commitments? Will the costs of fulfilling the rewards sink your business below the profitability threshold? Will your investors become repeat buyers?

- **Equity-Based Crowdfunding**
  Equity-based crowdfunding (also known as ownership-based crowdfunding) allows investors to become part-owners of your business and receive a return on their investment as well as dividends or distributions based on a share of your business' profits. Equity crowdfunding is still a complex work in progress at the federal level with the United States Securities and Exchange Commission (SEC).

Regardless of what type of crowdfunding you are considering, thoroughly research the advantages and disadvantages, and consult an attorney or finance professional who is knowledgeable and experienced in crowdfunding.

9

Step 9:

START YOUR BUSINESS!

Congratulations! Your planning, persistence, and determination have paid off. Now the journey and real hard work of running a business begins. For ongoing assistance with operating and growing your business, the Indiana SBDC is ready to help!

For more information or to contact the Indiana SBDC office nearest to you, visit isbdc.org.