

9 Keys to Business Success



*Helping **you**
and **your business**
on the road to success.*



Southern Bancorp
Community Partners



#1

**GET YOUR PERSONAL
FINANCES IN ORDER**

While many aspiring entrepreneurs would like to jump straight into developing marketing plans or product designs, the best first step is to make sure you are financially ready to start down this road. Potential investors, landlords, and creditors will want to know that you are financially stable, and you can start by checking your credit. You'll also want to build up your savings. Aim for 6-9 months of savings for emergencies. Having this solid foundation will ensure that you are ready to start down the entrepreneurial path.

Starting a business *can be both rewarding and stressful, but with strong determination and some important information, you can put yourself and your new business on the road to financial and professional success.*

ACTION STEP

Visit **annualcreditreport.com** to review your credit report. If you would like assistance in obtaining or interpreting your report, contact a Southern Credit Counselor. Also, download Southern's Keys to Financial Success at **banksouthern.com/MyMoneyMyGoals**.

#2

DEVELOP YOUR BUSINESS IDEA

Once you've got your finances in order, it's time to start thinking more about that business idea. Put your ideas down on paper and get feedback from family and friends, and most importantly, from potential customers. Make notes about what your business model should look like. Ask yourself what kinds of obstacles might stand in your way. Is there a market for your business? Are there competitors in your area doing the same thing? If so, are they doing it well? Or could you do it better? This step will also provide the information you need for Tip #3.

ACTION STEP

Ask 10 potential customers about your business idea and how they would use your product or service. Use their feedback to refine your idea.

#3

CREATE YOUR BUSINESS PLAN

Creating a clear and concise business plan will not only help you chart your path forward, but it will also provide much needed information for potential investors, lenders, and others interested in supporting your business. Include a mission statement, summary of what service/product you will provide, a description of your target market, and estimated start-up and operating costs. Also, be sure to carefully consider the legal structure of your business.

ACTION STEP

Write your business plan by using the resources at the SCORE website, www.SCORE.org/browse-library

#4

ASSEMBLE YOUR TEAM

Developing your business plan will probably raise more questions than it answers. Don't be afraid to seek out the advice of experts. From accountants to insurance agents to financial institutions such as Southern Bancorp, you'll find many resources available both in your community and online that can help you answer your business questions. A business development coach can help you identify the resources you need. Better to ask a question now than to wish you did later.

ACTION STEP

Ask your financial counselor, local chamber, or other business owners for referrals for good bookkeepers, accountants, insurance agents, and lenders. Check references and get multiple bids, if possible, before choosing someone to provide the professional services you need.

#5

DEVELOP A BUDGET

Budgeting for a business is just as important as budgeting in your home. Developing a budget is the first step in tracking your business expenses, saving where needed, planning for future expansion, and of course, making a profit! Many business owners overlook this detail, however, and failing to develop a budget can lead to big problems fast. With nothing to guide your business budget, you run the risk of spending more money than you take in, not preparing for cash flow changes, or not spending enough to grow the business. Look online or ask an expert for additional advice on creating a business budget. And speaking of budgets...

ACTION STEP

Develop and use a written system to track all business expenses and income. If you would like assistance, contact a Southern financial counselor at 1(800)789-3428.

#6

LEARN BOOKKEEPING BASICS

CASH FLOW STATEMENT

Your company will be much more successful if you take the time to learn the basics of bookkeeping. Understanding the following financial documents is a critical first step needed before selecting accounting or inventory software or other materials. Also, lenders and investors will want to see these documents before supporting your business.

Start by familiarizing yourself with these examples of a **Cash Flow Statement**, **Income Statement**, and **Balance Sheet**.

ACTION STEP

Create and maintain a cash flow statement, income statement, and balance sheet for your business. Southern's financial counselors can provide assistance as needed.

Cash Flow Statements help you track your budget by showing you how much money you started the month or year with, how much you spent, and how much you ended up with. Keeping a detailed Cash Flow Statement will help you keep track of how well your business is doing and whether or not you need to make adjustments. Many businesses fail, not because they do not have enough money, but because they do not have enough cash at the time the bills are due.

***How much cash do I have
at the end of the month?***

March Statement

Cash In

Cash on Hand	\$600
Dog Treats Sold	\$3,500
Bird Cages Sold	\$2,000
Total Cash In	\$6,100

Cash Out

Inventory	\$2,000
Rent	\$300
Utilities	\$200
Marketing	\$400
Payroll Taxes	\$65
Sales Tax	\$135
Insurance	\$225
Other Expenses	\$75
Total Cash Out	\$3,400

Cash Position **\$2,700**

***At the end of March, I will
have \$2,700 in cash.***

INCOME STATEMENT

A **Profit and Loss Statement**, also known as an **Income Statement**, shows you how much net profit you made, i.e. how much profit you made after expenses. Your Income Statement provides a summary of income and expenses for your business over a period of time and can be prepared regularly, monthly and at the financial year's end.

How much am I really making?

October Statement

October Sales

Revenues

Dog Treats	\$2,500
Bird Cages	\$500
Cat Food	\$1,000
Total Revenue:	\$4,000

Merchandise purchased for sale

Cost of Goods Sold (COGS)

Dog Treats	\$750
Bird Cages	\$250
Cat Food	\$350
Total COGS	\$1,350

Gross Profit: \$2,650

Cost to run the shop

Operating Expenses

Rent	\$500
Utilities	\$200
Marketing	\$400
Payroll Taxes	\$75
Sales Tax	\$225
Insurance	\$250
Other Expenses	\$100
Total Op Expenses	\$1,750

Net Profit \$900

I made \$900 in October.

BALANCE SHEET

A **Balance Sheet** provides you with a general snapshot of the financial health of your business on any given day. You would usually complete a balance sheet at the end of a month or financial (fiscal) year. A balance sheet shows your assets alongside your liabilities and equity.

More information on these essential financial documents for your small business is available at **SBA.gov**. Finally, remember to keep your personal and business finances separate by, for example, maintaining separate checking accounts.

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

How well am I doing right now?

As of December 31st

\$ owed to you

Assets (Money coming in)

Cash	\$5,000
Accounts Receivable	\$7,500
Inventory	\$10,000
Total Assets	\$22,500

Liabilities (Money owed)

Business Loan	\$20,000
Total Liabilities	\$20,000

Equity

Total Assets	\$22,500
Total Liabilities	\$20,000
Total Equity	\$2,500

#7

KNOW THE BASICS:

BUSINESS TAXES, INSURANCE, AND CREDIT

Much like an individual, a business has very similar needs when it comes to paying taxes, being insured, and seeking credit. Before your business is launched, take some time to understand your particular needs.

Business Taxes:

While the type of taxes you pay will depend on your type of business, there are four basic types that business owners must consider: **Income Tax, Self-Employment Tax, Employers Tax, and Excise Tax**. It's critical to know which apply to you. The Small Business and Self-Employed Tax Center at **IRS.gov** is a great place to start, and an accountant can also walk you through everything you'll need.

Business Insurance:

Just as in your personal life, insurance is critical in your business life. The right insurance can help protect you, your business property, and your employees from unexpected costs and loss. Your local insurance agent can likely walk you through the specific needs of your company.

Business Credit:

We all know the importance of our individual credit rating, but your business' credit worthiness is just as important. Having good business credit can help qualify you for financing that doesn't rely on your personal credit, as well as help increase the overall value of your company. To learn more about business credit, visit **SBA.gov** or **Dun & Bradstreet (DNB.com)**, which can help provide you with a DUNS Number that will be used to establish a business credit file.

ACTION STEP

Visit **www.IRS.gov** to determine the type of business taxes that will apply to your business. Next, set aside funds to pay those taxes regularly and on time.

#8

DEVELOP A MARKETING STRATEGY

While many business owners automatically think advertising when they hear “marketing,” it’s important to remember that a marketing strategy is more about the “who” you are trying to reach, while advertising is more of the “how.” A basic marketing strategy helps you paint a picture of your ideal customer. How old are they? Where do they live? What are their habits? If you can start to answer some of these basic questions, you can start to develop a marketing strategy.

ACTION STEP

Ask at least ten of your (potential) customers how they get information on your type of business. Use that information to develop a marketing plan to reach your customers where they are.

#9

LEARN FROM YOUR MISTAKES

Don’t take this the wrong way, but...you’re going to make mistakes. You might make a lot of mistakes. However, this doesn’t have to spell doom for your business. In fact, if you learn from your mistakes, they may just help make your business stronger. When something goes wrong, take some time to evaluate what happened. Was it caused by unrealistic expectations? An error in judgment? Or something else? Determine what went wrong, and lay out a plan to correct it. You very well could turn that mistake into an opportunity.

ACTION STEP

Write down any changes you want to make to your business strategy along with the rationale for that change so that you can consistently implement that strategy in the future.



*For more information
on starting or growing
your small business, contact
Southern Bancorp Community Partners at
**www.southernpartners.org, 1-800-789-3428,
or online at www.banksouthern.com/contact.***