

FRAME

fundamental resources for
agricultural micro-entrepreneurs



www.diverseag.org/microenterprise

Questions to Ask When Planning to Start a Business Selling a Service

August 2021



Extension
UtahStateUniversity.





Prepared By

Karin Allen, PhD

Department of Nutrition, Dietetics, and Food Sciences

Ruby Ward, PhD

Department of Applied Economics

Anne Whyte, MS

Department of Applied Economics

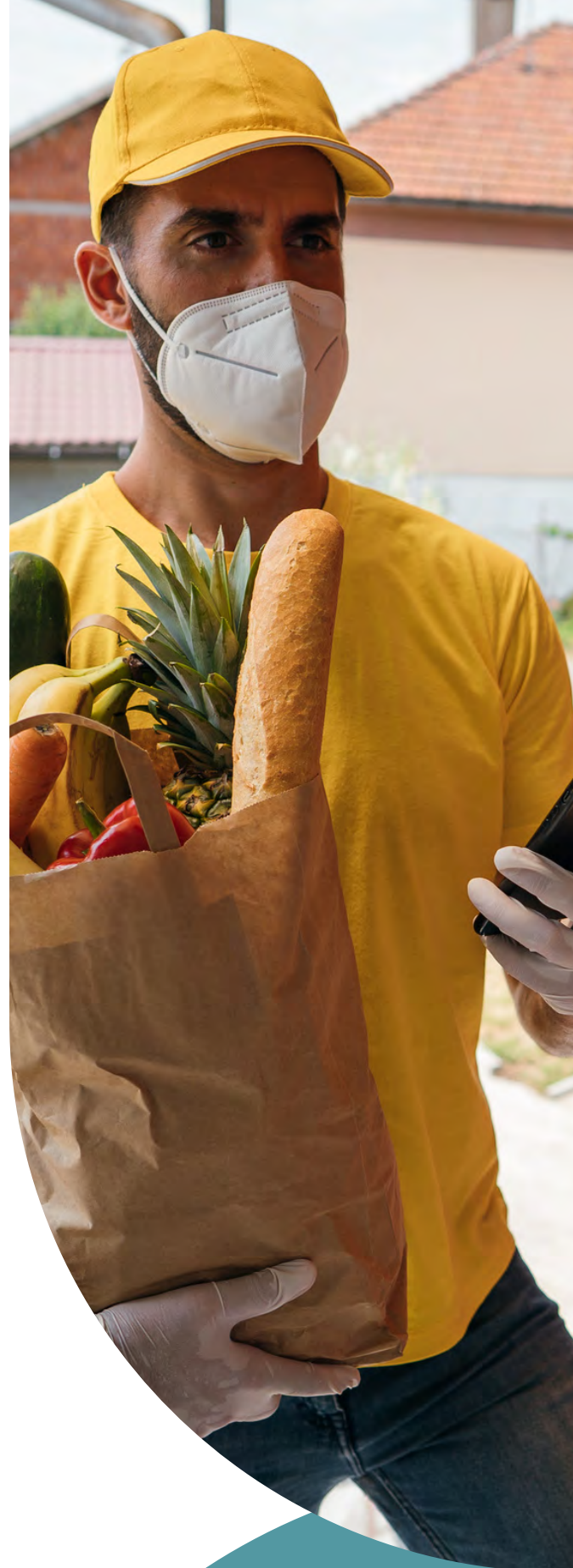
Contact Author

Dr. Ruby Ward

Ruby.ward@usu.edu

Version 1.2

In its programs and activities, including in admissions and employment, Utah State University does not discriminate or tolerate discrimination, including harassment, based on race, color, religion, sex, national origin, age, genetic information, sexual orientation, gender identity or expression, disability, status as a protected veteran, or any other status protected by University policy, Title IX, or any other federal, state, or local law. The following individuals have been designated to handle inquiries regarding the application of Title IX and its implementing regulations and/or USU's non-discrimination policies: Executive Director of the Office of Equity, Alison Adams-Perlac, alison.adams-perlac@usu.edu, Title IX Coordinator, Hilary Renshaw, hilary.renshaw@usu.edu, Old Main Rm. 161, 435-797-1266. For further information regarding non-discrimination, please visit equity.usu.edu, or contact: U.S. Department of Education, Office of Assistant Secretary for Civil Rights, 800-421-3481, ocr@ed.gov or U.S. Department of Education, Denver Regional Office, 303-844-5695 ocr.denver@ed.gov. Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Kenneth L. White, Vice President for Extension and Agriculture, Utah State University.



Introduction

You have a great idea for a business. It can be tempting to jump right in and start selling, but before you do, there are questions you should ask yourself. This workbook will take you through some questions you need to answer as you are preparing to start a business selling a product.

You might not know all the answers the first time you go through this workbook. That's okay. Answer what you can and write down what you still need to research or figure out. That will help you determine your next steps and be more prepared to face the challenges of starting a new business.

What is Your Big Idea?

The first thing to ask yourself is what you are going to sell. What is your big idea? How is your service unique from other businesses? What makes it special?

Why will people want to use your service? What problem or need does your service address?

Be specific as you answer these questions. Your service should have something about it that makes it stand out.

For example:

I want to have a window washing business. There aren't very many businesses like that in my area and there a lot of people who work at demanding jobs that would be able to afford and want a window washing service to keep their house looking nice. I will stand out with excellent customer service and being able to get them on the schedule really quickly, maybe even the same day.

My big idea is:

My next steps:

Who Is Your Customer?

You may have an amazing idea, but if no one buys it, it isn't going to be a profitable business. Who exactly are you trying to sell to? What type of person, specifically, will benefit or be attracted to your business?

How will you be able to reach those people? Consider ways that you can get access to the people who want to use your service. If you have a mobile service, how will you advertise for customers? If you're advertising online, how will you get in front of customers who would be interested in your service? How will people know how to look for you specifically? If you have a storefront, consider the cost of the facility and utilities, as well as how many hours each week you'll need to be open. If you have a storefront, you may need to be open over 40 hours a week.

For example:

My customers will probably mostly be people with limited free time, or people who don't feel comfortable getting up on a ladder to wash their own windows. I think older people or people who are working a lot and live in a nice house. I will serve people who live within 30 minutes of my house and I'll advertise but I will need to figure out how.

My customers are:

My next steps:

How Much Will You Sell Your Service For?

Your service has something that makes it stand apart from the others, but there are still a lot of similar businesses. Who are they? Determine who else is selling something similar. Where do they sell it?

Have you determined how to price your own service in relation to your competitors? Check out other companies and think about your service. What price can you charge? Also think about the cost of providing your service and what price you will need to cover your costs and make a profit.

As you are thinking about the price you will charge, consider how your service is similar and different from your competitors. What is your advantage- what do you have or what can you do that the others cannot? How will you be successful selling in a market with your competition?

For example: There aren't very many other businesses that do residential window washing and they are more expensive and harder to get an appointment with than I will be. I can be successful by charging a little less and having appointments sooner and having excellent quality and customer service.

Who are your competitors:

My next steps:

Who is on Your Business Team?

When you are starting a business, a support system is very helpful. Do you have partners or a team of people you're going to be working with? Do you have people who can mentor you or give you advice? Do you have the support of family and friends?

For example: I will be working on my own but my parents are supportive and good at talking through ideas. I have other friends who have started businesses and will give me advice.

My business team is:

My next steps:

What Will You Need to Get Started?

What kind of equipment or training will you need to get started? Do you need transportation to provide your service or a location where customers will come to you? What about marketing costs?

Make a list of the things you will need to be able to get started. How much money will those things cost? Make sure you consider all the costs you'll incur and things you'll need to buy.

For example: I will need ladders, cleaning supplies, and maybe an extension pole. I'll also need to figure out marketing. I already have a truck that I can use to transport the ladder and supplies to the job. Ongoing, it will cost a little bit in gas to go around to each job and I'll need to replace cleaning solution and towels as needed.

Start up costs:

| | |
|-------------------|-----|
| Ladder | 100 |
| Extension Pole | 40 |
| Cleaning solution | 40 |
| Buckets | 15 |
| Squeegees | 15 |
| Cloths/Towels | 40 |
| Marketing | 100 |
| Licensing | 50 |
| | |
| Total Needed | 400 |

My start-up needs are:

My next steps:

Where Can I Get Financing?

It is important to consider what your financing options are for starting a new business. If you don't have, or can't get, the money to get started, you won't be able to get your business going.

Can you get started without borrowing any money?

Do you have personal assets, such as a home or savings, that you would be willing to risk?

Do you have family or partners willing to finance you? If so, what will happen to relationship if the money is lost? Will your relationship survive if you can't pay back the money?

Do you have a great relationship with your banker?

For example: I can use my savings to get started and shouldn't need to borrow any money.

My financing options are:

My next steps:

When Can I Start Selling?

Once you've considered all that you need to get to be able to start your service business, consider when you can start selling. Do you need any training before you start? If so, how long will that take? How long will it take to get business licensing or marketing in place? Do you need to wait until a certain time of year to begin selling, like if you are planning on providing a seasonal service like lawn mowing?

For example: I should be ready to start as soon as I can get my legal stuff in place. I have some family who would hire me right now while I get the marketing going.

I can start selling:

My next steps:

What Licensing and Other Regulations Do I Need to Comply With?

Different types of businesses have different regulations and required licensing. You need a state tax number. You will need to register with the Utah Department of Commerce. You will also need to register with the county or city in which you are operating. Each location will have different requirements; for example, some rural unincorporated counties just require you to inform them you are in business and don't charge a fee. Others require fees and more extensive paperwork.

If you have employees, you will have additional steps at the both the state and federal level that you'll need to comply with. You will need to get an employer identification number (EIN) from the Internal Revenue Service.

Certain business have additional regulations and requirements. You will need to be sure you are in compliance with the federal, state, and local regulations for your specific location and product.

For example: I know I'll need to register for a tax number with the state. I'll also need to find out from the city what I need to do for that. I'm not hiring any employees at this time. I don't think that jewelry sales have special licensing or requirements, but I'll need to double check.

My required licensing:

My next steps:

Each of these questions are important to consider when evaluating your business idea. These concepts are the building blocks to investigate and think about the important factors. Once you have considered these items, here are some next steps.

You need to put together your overall plan and make sure that, as a whole, it can be a viable business. Using the information from these questions, you can consult a business advisor, such as services available at Small Business Development Centers. They can help you develop and refine your overall business plan and examine the viability of the business as a whole.

For more information can be found at <https://business.utah.gov/business-resources/>.



Your feedback will help us
make this guidebook better!

Scan this QR code to take the survey

