



| S.C. Lowcountry

Starting a Business in the Lowcountry

SCORE – SC Lowcountry Chapter
www.scorehiltonhead.com

Introduction

Are you ready to start a business? How much do you know about the process? Well, what you don't know can hurt you. Starting a business is a major challenge and should not be undertaken without considerable thought and planning. There are a number of issues to consider. This handbook was developed by the SC Lowcountry Chapter of **SCORE** as a reference guide for entrepreneurs who are seriously considering starting their own business. We challenge you to answer a number of probing questions that will help you assess your readiness to start a business, and if you are, will give you a sense of direction and help assure your success.

The Challenge

Starting a business is hard, success is elusive. Although the survival rate for a new business is a reminder that unless all the fundamental processes are used, the risk for failure increases dramatically. According to the U.S. Bureau of Labor Statistics and the Ewing Marion Kauffman Foundation, of the over 600,000 new businesses started each year only 56% survive 3 years, and just 29% survive 10 years. These are not encouraging odds given the dollars and energy required for a business start-up.

Surveys of business failure attribute the following explanations for a lack of success.

- 78% lack a well-developed business plan, including insufficient research
- 73% are overly optimistic about achievable sales, the money required and about what needs to be done to be successful
- 70% do not recognize or ignore what they don't do well and do not seek help from those who do
- 63% have insufficient relevant and applicable experience

To sum up, the critical factors you must take under serious consideration to insure the success of your business and avoid failure are:

- Adequate capital or resources
- Management experience and ability
- Education/experience in the field
- Good work ethic and time management skills
- Ability to ask input of others and make appropriate changes
- Willingness to test your idea
- Develop a business plan

You - Do you have the right stuff?

When deciding whether or not to start a business the first key question to ask yourself is do you have the personality and skills required to start a business? Ask yourself these questions. It is a good idea to write down your response and explain your answer. So, are you:

- A self-starter and resourceful?
- Have a positive attitude toward people?
- Responsible?
- Organized?
- Persistent? Trustworthy? Decisive?

In addition to the traits you need, successful entrepreneurs must be clearly focused in order to reach their goals, possess the competence or skill needed to produce the products or services for their target customers; and, finally, have the passion or interest in starting and managing the business.

What you need to succeed

- **Focus** – Being able to maintain interest and focus your time and energy on the important few essential tasks while avoiding the unimportant many. You simply cannot respond to every request or idea. Additionally, you must stick to your plan and execute it.
- **Competence** – Having the skills, knowledge, or experience in your proposed business is a major key to success. It is also very helpful for you to have an awareness of general business practices such as cash management, marketing and people management, etc. Knowledge of startup requirements such as funding sources will be of great help as well.
- **Passion** – No new endeavor succeeds without passion and drive, that energy that keeps you going when things get tough. So, it is important that you have a love for the business you plan to be in to keep you motivated when you have to work long hours with low to no monetary rewards .

Your Dream – Is it realistic?

Once you have determined that you have what it takes to start a business you will need to test your idea to see if it is reasonable and has the potential for success. To test your idea you must confirm that the product(s) or service(s) you are planning to offer will attract the kind of customers you are targeting. To “*test your concept*” you should:

- Try it out – If possible, go to work with a similar company. For instance, if you are thinking of opening a floral shop, go work with a florist for a few months to see what it is really like. Many times the reality of actually running a business falls way short of the fantasy.
- Talk to entrepreneurs in the same field – Find someone who is successfully doing what you want to do and interview them. Of course, it must be someone with whom you will not compete. Ask them what it is like, what were/are the challenges, what they like best, and the least about the business, what they wish they had known when they started that they know now. Also, find more than one person to talk with.
- Evaluate whether you enjoy the work and excel at it – Develop an understanding of the primary skills and work required to be successful in your proposed business. Ask yourself if you will be good at that and will enjoy doing it every day for a long time. Often we plunge into pursuits without understanding exactly what is required for success and find that we are a complete misfit and are thus unhappy and unsuccessful.
- Judge your ability and desire to handle all aspects of the business. This is good to know so that you can plan on how to manage those areas that you are unqualified to handle. You can make plans to hire someone or outsource the work.
- Determine whether the business has a solid chance of turning a profit and exactly when; this will require forecasting of sales and expenses. If you do not have the skills to do this, find someone qualified to help you. Do a best case and a worst-case scenario. This can help you make a go/no-go decision and if you decide to proceed, you will need the forecast for your business plan as well.
- Evaluate the risk this particular business requires – Identify potential risks and a plan for reducing or eliminating them. Decide if you are prepared to take all of the associated risks.

The Market – Who is your target customer and who are your competitors?

A clear understanding of your market is vital to business success. The value of knowing your target customer and your competition cannot be over emphasized. Defining your customer gives you the ability to estimate the size of your potential market and where and how to promote your business.

Think about the differences between middle-income women from 50-60 years old and lower income women from 25-40. What do they buy, how do they choose, what do they value and why, when do they buy and where do they buy? The differences between targets can be huge. Since it is impossible to be all things to all people, it is crucial to know exactly to whom you want to be important.

Your business can improve its odds of success if it has a unique niche that gives you an advantage over the competitors. Walmart developed their niche on price. For 99% of small businesses, using price to define your niche is usually not feasible. The following questions can help you develop your niche:

- What is unique about your product or service? Does it have a compelling difference? Domino's Pizza was built on the compelling difference of "Fresh, hot pizza in 30 minutes or less, guaranteed." They did not even say it was good. On the difference of fast delivery, it became the largest pizza chain in the world. Find some way to make your product or service unique.
- What are the needs, desires, or values of your customers that your product or service will satisfy? Federal Express succeeded from the need for fast parcel delivery. Its early ad message was "When it absolutely, positively has to be there overnight". What customer need are you fulfilling?
- What makes you and your business different? Why will customers do business with you rather than someone else? How will you be different than the competition? You have to be able to answer the questions, "Your business, so what? Who cares?"
- If you don't know your difference, you cannot market it. Just advertising "me too" will not likely cause anyone to buy from you. You have to know your niche in order to market, promote and compete effectively.
- If your customers don't know what distinguishes you, they probably will leave you. If they cannot discern any difference between you and others' offerings, why will they continue to patronize you? There is no reason to.

Money – How much do you need and where to get it?

Acquiring capital for a start-up can be a major hurdle for entrepreneurs. Preparing a business plan will require that you do financial forecasts so that you can determine your capital needs. Knowing how much you will need to actually open the doors to your business and how much you will need until you have a profit and positive cash flow is where you must start. At SCORE, we can help you with your business plan and forecasts.

But once you calculate your funding needs, where do you go to get it? Listed are 10 sources of funding.

1. Your Assets - 68% of start-ups are financed with personal assets. This includes savings, retirement accounts, other investments and liquidating assets such as cars, boats, motor cycles and jewelry, etc.
2. Angel Investors – These are wealthy individuals who will make an initial investment but in return will expect a 10-50% stake in your business.
3. Friends and Family – Make sure you are clear about whether money from this source is a loan (which you will have to pay back) or equity (which is ownership in your business). Be certain that you get a written agreement.

4. Credit Cards – We have all heard of the entrepreneur who started their business with credit cards. Spike Lee financed his first movie with credit cards. It is easy but the interest rates are very expensive.
5. Bank Loans – Loans are like mortgage in that they require monthly payments. They also require collateral (at least 20%) and a personal guarantee as well as a good business plan.
6. SBA Micro Loan (up to \$50,000) – The SBA provides funds to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance.
7. SBA 7(a) loans - SBA 7(a) loans are negotiated between a borrower and an SBA-approved lender and are guaranteed by the SBA. 7(a) loans have a maximum loan amount of \$5 million. The average 7(a) loan amount in fiscal year 2012 was \$337,730.
8. For those who don't qualify for a standard loan there is the possibility of using social lending and crowdfunding such as:
 - RocketHub
 - Peerbackers
 - Kickstarter
 - SoMoLend
 - Endurance Lending Network
 - Grow Venture Community
 - MicroVentures
9. Trade Credit – Trade credit is securing longer payment terms with your suppliers but getting trade credit is hard to establish. Most suppliers are not willing to take a chance on a business with no payment history.
10. Customers who are willing to extend credit to your business – This might take the form of a customer willing to prepay for products or services that will be delivered or used sometime in the future.

There are some grants available but it depends upon the specific type of business and the ownership such as biotech, “green” (recycling) or research oriented

Business Structure – How you legally organize

Your business structure will depend on a number of factors such as personal liability and tax consequences. SCORE recommends that you consult with an attorney to determine the best option for you and your business.

The following are business structures available to an entrepreneur:

- Sole Proprietorship – you own it all and personally have all the liabilities. The income is taxed personally.
- General Partnership – a single business where two or more people share ownership and the profits as well as any losses of the business.
- Limited Liability Partnership – for professional partnerships in which some or all partners (depending on the jurisdiction) have limited liabilities. In an LLP, one partner is not responsible or liable for another partner's misconduct or negligence.
- Limited Partnership - formed by two or more people, with at least one person acting as the general partner who has management authority and personal liability, and at least one person in the role of limited partner who is a passive investor with no management authority.

- Corporation - an independent legal entity owned by shareholders. The corporation itself, not the shareholders, is legally liable for the actions and debts the business incurs. More complex than other business structures, corporations are generally suggested for established, larger companies with multiple employees.
- Statutory S Corporation – a closely held corporation that In general does not pay any federal income taxes. Instead, the corporation's income or losses are divided among and passed through to its shareholders. Shareholders have the same protection from liability as shareholders of a regular corporation.
- Limited Liability Company (LLC) - a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

Putting It All Together – Creating a road map: the business plan

Now that you have answered the key questions about starting your business, it is time to put it all together and write a business plan. Having a business plan is essential to a start-up as well as an established business. The time you invest in your business plan will pay off many times. Some of the benefits you can get from creating a business plan are:

- A blueprint of your business to keep you focused and on track
- Targets and time tables to track your performance against goals and make any needed corrections
- A description of your products and services
- A forecast of your sales, costs and profits
- A description of your target customers and their buying behaviors
- An objective analysis of your market
- An explanation and justification for your marketing strategies
- A list of your main competitors and how you expect to outperform them
- An explanation of your business model or how you plan to make a profit and stay in business
- Anticipation of potential challenges or hurdles you might face and what you will/can do about them
- A summary document that you can use to explain your business to suppliers and lenders as well as key employees.

Key Business Plan Elements

A business plan can take many forms and generally the more complex the business the more detail and explanation required for a complete plan. But whether you are starting a home business or a complicated high tech, manufacturing concern, your plan will include these three key elements.

1. Business Concept/Idea
 - Business Vision
 - Key Success Factors
2. Marketing Plan
 - Target Customer Groups
 - Products/Services Prices/Margins
 - The Value Proposition
 - Advertising Techniques Employed
3. Financial Plan
 - Projected Income Statement

- Startup Costs
- Financing Needs

Many business plan templates require the entrepreneur to document a 20 – 30 page report. A successful business plan does not depend on the number of pages it has, the color images or the number of charts and graphs. For many businesses, a 1-page business plan may be all that is required as long as it addresses these issues:

- Customer Problem and the Solution
- Business Model-how you make money
- Target Market and Competitive Advantage
- Management Team
- Financial Summary and Funding

Conclusion – Are You Ready To Start?

This handbook has given you an overview of the elements of starting a business. In summary, do you have the personality and skills of an entrepreneur and do you have the determination and perseverance to successfully complete the process of starting a business? If you can answer yes then you are ready. Working with **SCORE** or an organization like **SCORE**, where skilled and experienced mentors can provide direction and support will improve your chances of success. You not only will need assistance from **SCORE** but also from professionals like attorneys and accountants and others who support the small business community.

About SCORE

SCORE, founded in 1964, is a national, volunteer, non-profit organization of more than 11,000 business professionals who provide free and confidential mentoring and counseling to aspiring and established entrepreneurs. The Charleston SC Chapter has been helping local area businesses for over 40 years.

In support of business, **SCORE** offers local workshops, roundtables, online workshops, webinars, templates and tools, sample business plans, and free access to a team of experienced mentors to help you.



If you are in business, call or email for an appointment with one of our mentors. A mentor will then contact you and schedule a free and confidential counseling session at one of our locations or at a mutually convenient site.

If you are not yet in business and need help getting started, call and make an appointment to attend one of our free **“Are You Ready to Start a Business?”** workshops. Upon completion, a mentor will schedule a meeting with you. This two-hour workshop will likely answer many of your questions and prepare you to have a more productive meeting with your mentor. SCORE also offers business counseling online and by phone.

Business Advice You Can Trust - Experience You Can Use

From the initial stages of starting a business and throughout the life of your business **SCORE** can help you:

- Determine if you are ready to start a business
- Start a new business or open a franchise
- Buy an existing business
- Grow or expand your business
- Take your business to the next level
- Solve a particular problem in your business
- Sell your business

Current List of Workshops

- Are You Ready to Start a Business?
- Digital Marketing
- Employees Problems and How to Solve Them
- Accounting & Finance Basics
- Financing Your Business – Funding Sources and How to Apply

- Federal Government Contracting
- How to Write a Business and Marketing Plan
- QuickBooks – Level 1 and 2
- Business Legal Considerations
- Website Design & Development
- Customer Service
- Marketing and Sales Strategies
- Payroll Systems

About Our Mentors

Mentors' Industry Experience (Partial List)	Areas of Mentors' Expertise
Acquisition	Acquisition
Accounting	Accounting
Administration	Administration
Advertising	Advertising
Banking	Banking
Business Operations	Computers
Buy/Sell A Business	Construction
Computers	Customer Service
Construction	Distribution
Customer Service	Franchising
Distribution	Finance
Finance	Health Care
Franchising	Human Resources
Health Care	Insurance
Human Resources	Import/Export
Internet Marketing	Manufacturing
Insurance	Marketing/Sales
Import/Export	Non-Profits
Manufacturing	Online Stores
Marketing/Sales	Restaurants
Non-Profit	Retail Stores
Online Stores	Website Design
Restaurants	Buy/Sell a Business
Retail Stores	Technology & Business
Search Engine Advertising	
Technology	
Website Design	

Business Start-up Resources

Local Requirements – Beaufort County, SC Area

- City Business License:** Most municipalities in South Carolina require a business license in order to conduct business. License fees vary and are based on sales tax revenues. If you do not see the municipality where you plan to conduct business listed below, call the town hall for information regarding business licenses.

City of Beaufort 1911 Boundary St 843-525-7010	Bluffton 20 Bridge St 843-706-4501	Hilton Head 1 Town Center Ct 843-341-4610	City of Hampton 608 First St. W 803-943-2951
Hardeeville 205 E. Main St 843-784-2231	Walterboro 242 Hampton St 843-549-2545	Ridgeland One Town Sq. 843-726-7500	Port Royal 700 Paris Ave 843-986-2209

- County Business License:** If you plan to conduct business outside city limits but within the county you must obtain a license for the entities listed below:

Beaufort County Administration Building; 100 Ribaut Road Second floor, Room 225. 843-255-2270	Jasper 358 Third Ave Ridgeland, SC 29936 843-717-3657	Hampton Not required	Colleton Not required
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- Boards of Architectural/Design Review:** If you plan to do physical renovation to your facility, a board in the following communities must first approve them:
 - City of Beaufort, 1911 Boundary Street, 843 525-7011
 - Hilton Head: 843 341-4757
 - Bluffton: 843 706-4500

Planning & Zoning: For information pertaining to whether your business can operate in the chosen location, you must check your local zoning ordinances. This can be done at the addresses listed below. This includes Home Business Requirements.

Beaufort 1911 Boundary Street. 843 525-7011	Bluffton 20 Bridge Street 843-706-4510	Hilton Head 1 Town Center Ct 843 341-4695	Hampton 608 First St. W 803 943-2951
Hardeeville 205 E. Main St 843-784-2231	Walterboro 31 Klein Street, 3rd Floor 843-549-1709	Ridgeland 358 Third Ave 843-717-3650	Port Royal 700 Paris Ave 843 986-2207

- Restaurants:** Must submit a seating layout to building inspections for Certificate of Occupancy Approval; and, commercial kitchen approval from South Carolina DHEC.
If your business will be involved in **Food Handling** you must contact DHEC. The Beaufort County Office address:
Lowcountry EQC Beaufort
104 Parker Drive
Beaufort, SC 29906
(843) 846-1030
- Building & Fire Inspections:** Before you can operate in a specific business location you may need a Certificate of Occupancy issued by the local building inspections department. Application is made through the Business License Office. Building Inspector and Fire will do business for requirements on permits.
- Signage:** Must be approved by local zoning and building inspection divisions.
- Construction of a building for business:** Requires a **Construction Certificate of Occupancy** that differs from a Certificate of Occupancy.

Federal Requirements

Internal Revenue Service

- Charleston Office: 1 Poston Road, Charleston, SC 29407....(843) 566-0209
- Information on federal tax regulations 1-800-829-1040
- IRS web Sitewww.irs.gov

Employers are typically responsible for three types of federal collections and payments:

- Income tax withheld from employee wages. Proprietorships, partnerships and corporations with employees are required to file federal tax reports.
- (FICA) Employer and Employee Social Security Taxes. Every business with one or more employees is required by law to withhold Federal Income Tax and Social Security Taxes from the wages paid to employees
- (FUTA) Federal Unemployment Tax

Employer Identification Number: (EIN)

To obtain an EIN call the IRS at 1-800-829-4933. Representatives are available Monday through Friday from 7:30 AM to 5:30 PM., or go to

Immigration and Naturalization Service: Every employer must have an Eligibility Verification Form (I-9) completed and on file for each employee. For assistance or copies of this form call INS at:

1-800-870-FORM (3676) or go to www.uscis.gov

www.irs.gov.

U.S. Dept. of Labor: Minimum wage is currently \$7.25 per hour. For additional information on covered employees, child labor, training, wages, tipped employees, polygraph testing, Employment Standards Division, U.S. Labor Dept., Landmark Center, 3600 Forest Drive, PO Box 11329, Columbia, SC 29211 (803) 896-4300

- Substance abuse or hiring and firing contact: www.dol.gov or
- Social Security Administration: To verify your employees have valid SS#s, log on at www.socialsecurity.gov/bso/bsowelcome.htm and check out the SSA's business services online.

Occupational Safety & Health (OSHA): OSHA requires that if your firm employs more than 10 people, you must maintain a record of on the job injuries on OSHA Form 200, which must be available for inspection and retained for five years. For more information contact: www.osha.gov or OSHA, US Dept. of Labor, 200 Constitution Ave, NW, Room S1212, Washington DC, 20210; Columbia, SC office: 803-734-9631

General Business Information

Personal Credit:

Before approaching a bank or investor for a loan, it is advisable to know the condition of your credit report. To check on your personal credit use one of the telephone numbers listed below:

Experian (TRW) 1-888-397-3742 www.experian.com	Trans Union 1-800-888-4213 www.transunion.com
Equifax 1-800-685-111 www.equifax.com	CSC Credit 1-800-759-5979 www.csc.com/industries/credit

Once a year you can obtain a free credit report by logging on to www.annualcreditreport.com Or call 1-877-332-8228

Another free source is www.creditkarma.com

Credit Card Merchants:

If you plan to accept credit cards from your customers, contact your bank’s Merchant Bankcard Services, Retail Banker. Your banker will instruct you on how to accomplish this. Many sales are lost each year by retailers who do not accept credit cards.

Better Business Bureau, Inc.

Provides reports on businesses and charities to help consumers and donors make informed decisions and helps resolve consumer complaints, and promotes ethics in business. For more information go online at www.bbb.org or contact them at
 P. O. Box 8326, Columbia, SC 29202.....(803) 254-2525
 Charleston office.....843-766-9616

Barcode or Universal Product Code (UPC)

- To obtain an application for a barcode contact the **Uniform Code Council** at (937) 435-3870
- Fill out the application completely and return to the Uniform Code Council with the required fee
- The fee is dependent on your annual sales. The minimum fee for new products is \$300.
- Processing of the application takes approximately 10 – 15 days upon receipt of application and fee.
- You will be issued a bar code and instructions for getting the bar code on your product

CHIP card Reader

Currently, if you run a fraudulent card, banks absorb the costs. Starting in October 2015, if someone pays with a fraudulent chip card, and you’re not set up with an EMV card reader, the banks will no longer be liable.



**Beaufort County
Business Assistance Resource**

Lowcountry SCORE

One Chamber of Commerce Dr., Hilton Head, SC 29928

843-785-7107

www.scorehiltonhead.com

Beaufort Office

Ameris Bank

2348 Boundary Street, Beaufort, SC 29902

843-470-0800

www.scorebeaufort.com

Hilton Head Bluffton Chamber of Commerce

One Chamber of Commerce Drive, Hilton Head, SC 29928

843-785-3673

www.hiltonheadchamber.org

Beaufort Regional Chamber of Commerce

701 Craven Street, Beaufort, SC 29902

843.525.8500

www.beaufortsc.org

Beaufort County Black Chamber of Commerce

801 Bladen Street, Beaufort, SC 29901

843- 986-1102

www.bcbcc.org

Bluffton Chamber of Commerce

217 Gothe Rd., Bluffton, SC. 29910

843-757-1010

www.blufftonchamberofcommerce.org

Center for Women/SC Women's Business Center

129 Cannon St., Charleston, SC 29403

www.c4women.org

Don Ryan Center for Innovation

400 Buckwalter Place Blvd, Bluffton, SC 29910

843 540 0405

www.ryan-innovation-center.com

Small Business Development Center (SBDC)

Martin Goodman, EDFP, Director

Room 124E, Sandstone Building, Historic Beaufort Campus

801 Carteret Street

Beaufort, SC 29902

843-521-4143



S.C. Lowcountry

Patricia K. Cameron, MBA, Business Consultant
Room 210, USCB Library, Hilton Head Gateway Campus
One University Blvd.
Bluffton, SC 29909
843-208-8259
www.uscb.edu/sbdc/

Technical College of the Lowcountry (TCL)
www.tcl.edu
Beaufort Campus
921 Ribaut Road, Beaufort, SC 29901
Phone: 843-525-8211

New River Campus
100 Community College Drive, Bluffton, SC 29909
Phone: 843-470-6000

Hampton Campus
H. Mungin Center
54 Tech Circle, Varnville, SC 29944
Phone: 803-943-4262

Essential Business Planning Documents

If You Need to Borrow Money You Will Need To:

1. Begin researching trade magazines and trade organizations for financial and marketing information
2. Obtain credit reports on all borrowers
 - a. Equifax 1-800-685-1111 www.equifax.com
 - b. Experian-TRW 1-800-682-765 www.experian.com
 - c. Tran Union 1-316-636-6100 www.tuc.com
3. Write a business plan (**SCORE** will assist you)
4. Make financial projections of income, expenses and cash flow for the business for two years
5. Make a list of start-up costs: *equipment, inventory, furniture, fixtures, working capital, personal expenses, remodeling, etc.*
6. Provide past three years personal tax returns on all borrowers
7. When applicable, obtain three years of signed and dated tax returns on the business
8. Compile a resume or statement of personal history on all borrowers
9. Complete a personal signed financial statement (less than 90 days old) on all borrowers
10. Verify zoning regulations for your business locations
11. Complete collateral description, franchise agreements and leases, if applicable

Answer These Questions Before Starting Your Business

What products or services will your business provide?

How will your products or services be different from others in the market?

Who is your ideal or target customer?

How do you make money?

What are your specific skills or experience that equip you to be successful?

Where will your business be located?

How much money do you need to get started?

How much money do you have?

How will you finance the balance?

How long do you have until you start making a profit?

Who is your competition?

What is your competitive advantage?

How will you price your product compared to your competition?

How will you set up the legal structure of your business?

How will you manage your business?

How will you advertise your business?

Lowcountry SCORE

We thank our Strategic Partners who generously support our work helping Beaufort County area entrepreneurs start and grow their businesses.

