PORTERVILLE CHAMBER

JR. CEO program

MODULE 1: FUNDAMENTALS FOR STARTING YOUR BUSINESS

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Business Terms and Their Definitions

Brick-and-mortar: A business that is located in a physical building versus online only.

Business: The practice of making money by selling a good or service.

Business plan: An outline of a business that explains what the business is about and how it operates

Capital: The money or wealth needed to produce goods and services. In the most basic terms, it is money.

Competitor: A business that sells a similar good or service.

Demographics: Characteristics of a group of people, such as age, gender, income level, and so on.

Entrepreneur: A person who owns his or her own business

Equity: The value or share of a something.

Expenses: Also called costs; the money that flows out of a business

Financial: Having to do with money.

Grant: Financial assistance provided by a government, organization, or foundation to support a business or project without the requirement of repayment.

Industry: a particular form or segment of business activity. For example – The retail (shopping) industry, the fast food industry.

Inventory: Products a business has on-hand, ready to sell.

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Business Terms and Their Definitions

Liability/Debts: Money owed by a business at any one time. Example: Joe owes his father for the $10 his father paid to buy milk for the business.

Marketing: The process of promoting a business.

Product: A physical item being sold that you can see and touch.

Profit: How much money is left over after covering (paying off) the costs of running the business.

Prospects: Potential customers.

Revenue: Also called sales, the money that flows into a business.

Sales: The act of convincing someone to take a particular action.

Service: Something a business does for people.

Strategy: A thoughtful plan.

Target audience: Those people who are likely to buy from a business.

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Step 1: Prepare a Business Plan

An effective business plan will summarize the new business, the industry in general, who are its competitors, its sales and marketing strategy, its financial needs, and its growth prospects. Answering these questions will help you form your business plan.

Why do you want to start a business and what product are you going to sell?

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Who else sells your product (who are your competitors)?

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How do you plan on promoting your product to customers?

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What will you need to buy in order to sell your product?

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Step 2: Decide on a Business Structure

☐ **SOLE PROPRIETORSHIP:** A business owned and run by someone for their own benefit.

<u>Advantages</u>
- Owner keeps all of the profits.
- Owner has complete flexibility when running the business.

<u>Disadvantages</u>
- Owner is 100% liable for business debts/losses.
- Equity is limited to the owners personal resources.
- No distinction between personal and business income.

☐ **PARTNERSHIP (GENERAL):** Requires a formal agreement between the partners; both owners invest their money, property, labor, etc. to the business and both are 100% liable for business debts.

<u>Advantages</u>
- Shared resources and more capitol (money) for the business.
- Partners share the total profits of the company and are equally incentivized to work.

<u>Disadvantages</u>
- Each partner is 100% responsible for losses.
- Partnership ends when any partner decides to end it.

Chris and Lisa each own 50% (half) of the business

☐ **PARTNERSHIP (LIMITED):** Requires a formal agreement between the partners; must file a certificate of partnership with the state. Allows partners to limit liability based on the portion of ownership investment.

<u>Advantages</u>
- Shared resources and more capitol (money) for the business.
- Partners split the total profits of the company based on what percentage of the business each owns.

<u>Disadvantages</u>
- Whoever owns the majority of the company has the power to make all final decisions.
- Investing partners often own much less of a percentage of the business and don't want to be involved in the day-to-day operations.

Chris invested $90 and owns 90% of the business. Lisa invested $10 and owns 10% of the business.

AS A JR. CEO STUDENT, IF YOU ARE CREATING A ONE-TIME JUICE STAND (OR SALE OF OTHER GOODS), YOU WILL NOT HAVE TO REGISTER A FORMAL PARTNERSHIP

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Step 3: Choose a Business Name

Choosing the right name from the beginning is very important. When you form your business you may find out that your name has already been taken or that someone has trademarked that name already. Choose your name wisely, as it will be a key in how you communicate your product to potential customers.

What is the name of your business?

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Why did you choose this business name and how does it relate to you and/or your product?

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Use the space below to sketch out a logo for your company:

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Step 4: Forms and Applications

AS A JR. CEO STUDENT, IF YOU ARE CREATING A ONE-TIME JUICE STAND (OR SALE OF OTHER GOODS), YOU WILL NOT HAVE TO FILE A DBA OR FILE PAPERWORK.

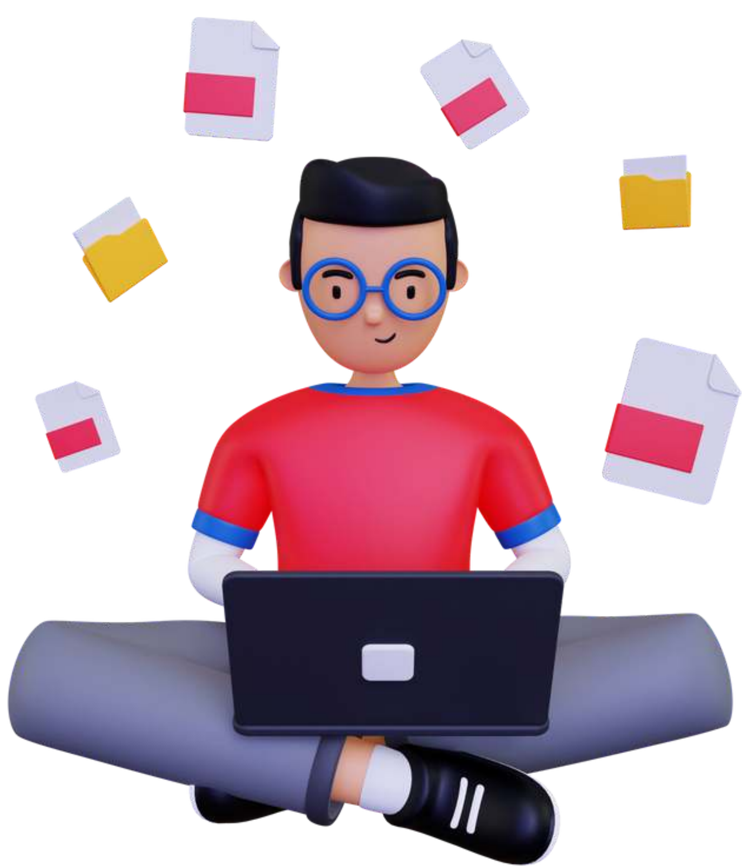
Obtain a DBA for Your Business

If you are a sole proprietor or a general partnership it is a good idea to obtain an official "doing business as" name authorization (a "DBA"), otherwise known as a Fictitious Business Name. This is obtained from the county by filing a form, paying a small fee and then publishing the name in a local paper for a few weeks in case anyone objects to your use of that name.

Obtain a Tax ID Number

If you are a sole proprietor your social security number will normally be your tax identification number for both your federal and state taxes (although there are exceptions). However, if you are a partnership you will need to obtain an Employer Identification number (EIN) from the IRS.

Obtain Your Business License From the City .



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Step 5: Where to Get Money to Start a Business

Open a Bank Account for your business

As soon as you start accepting or spending money as your business, you should open a business bank account. Common business accounts include a checking account, savings account, credit card account, and a merchant services account. Merchant services accounts allow you to accept credit and debit card transactions from your customers.

Banks and Credit Unions can loan money to a properly planned business startup.

Keep in mind that these loans need to be paid back and will include an interest rate.

Get investors to buy into your business

For young entrepreneurs like yourself, a good place to look for an investment is within your own friends and family. Some may simply loan you the money with no interest. Some may want a small percentage of the business in exchange for their money (refer back to page 4 for an example of this).

Crowdfunding

A popular way for young startup businesses to raise funds to through crowdfunding. The people that invest, called Crowdfunders, aren’t technically investors, because they don’t receive a share of ownership in the business and don’t expect a financial return on their money.

Instead, crowdfunders expect to get a “gift” from your company as thanks for their contribution. Often, that gift is the product you plan to sell or other special perks, like meeting the business owner or getting their name in the credits.

Crowdfunding is also popular because it’s very low risk for business owners. Not only do you get to retain full control of your company, but if your plan fails, you’re typically under no obligation to repay your crowdfunders. Every crowdfunding platform is different, so make sure to read the fine print and understand your full financial and legal obligations.

AS A JR. CEO STUDENT, YOU WILL BE FILLING OUT A FORGIVABLE LOAN APPLICATION AND YOUR START-UP COSTS AND SUPPLIES WILL BE PROVIDED FOR YOU.

Things to Think About for the Next Module

In the next session of Jr. CEO, we will dive into COST MODELS! Basically, we'll run through how to properly price your product based on how much it costs to make, what are other people charging for a similar product, etc. So, let's start thinking about...

1. A recipe for your juice product.

2. What ingredients you'll need to buy and how much of each ingredient?

3. What the cost of each ingredient is.

4. How much of each ingredient goes into each cup of your juice?

5. How many cups do you need to sell to break even (cover your costs)?