

How to start a business from scratch: 19 steps to help you succeed

By Ana Bentes

Let's Go !

Starting a business can be a rewarding opportunity and a chance to pursue your passion. Whether you're starting a business on your own or partnering up with someone to bring your ideas to life, this journey will require a blend of determination, creativity, and strategic planning.

From determining the ideal business structure to setting up payment systems, there's much to accomplish before flipping the "Open" sign. If you want to know how to start a business from scratch, this guide will help you learn the important steps to get your business idea up and running.

Are you ready to start a business?



- ✓ Have you done your research?
- ✓ Do you have a business plan?
- ✓ Are you OK with risk?
- ✓ Do you have adequate cash saved up?
- ✓ Can you dedicate the energy?



1. Define your vision

A business without a vision is like a ship without a sail. Defining your business's vision sets everything else in motion.

Drafting a mission statement should serve as the foundation for your vision. In a few paragraphs, identify your company goals and the high-level strategies you'll use to accomplish them.

When writing your vision, be as clear and concise as possible. Ensure you include a compelling and motivational message that inspires you to work toward your goal. Your statement should help convey your "why." It answers, at the most basic level, why you decided to start a business.

2. Research your market opportunity

There's a lot to consider when starting a new business, from developing your product to accounting and legal practices. That's why you want to ensure you have a strong market opportunity before going too far.

Research your market opportunity by:

Selecting a product or service: Decide your value proposition and unique selling proposition, which is what you'll sell and how you plan to stand out from the competition.

Validating your product idea: Research the market and see what's trending around your product, pitch to your target market and see the response, and test if your product generates leads.

Defining your target market: Identify your target market with demographics like age, gender, income, and location. Then create personas and a customer journey map.

Knowing your market size or opportunity: Figure out the total addressable market (TAM) of your potential customer base. Estimating the current and future value of your business idea and setting reasonable goals can help you win a piece of the pie.

At this stage, you should also conduct a competitive analysis, one of the key ingredients to a successful business. It not only lets you see what's out there to compare, but you can also see where your competition is lacking. This means finding the gaps, exploiting them, and reaping the benefits of your improvement on the market.



3. Write a business plan

Writing a business plan is the next important step for starting a small business. Keep in mind that your first business plan isn't final. Parts of it will likely change as you learn more about your market and grow your company.

You can start with a business model canvas, a one-page document covering the critical information you need to get started. This option can save you time and get you up and running faster.

Once you've been in business for a while or are ready to seek funding, you can build a more detailed plan. Your plan should cover:

- Your operating resources.
- Your overall marketing plan.
- Your cost and sales structure.
- Your financial management and business growth.

Your business plan will help you focus on concrete objectives and attract talent and investors.

4. Perfect your sales pitch

If you plan on going after investors or financing for your business, you'll want to create an elevator pitch. An elevator pitch is three to four sentences that tell an investor:

- What your business does.
- Why your business is unique.
- How they will benefit.
- How they can help your business through their investment.

On top of crafting a unique and optimized pitch, you may also want to include a pitch deck. This basic slideshow gives your elevator pitch imagery and usually includes statistics and more in-depth information surrounding your business.



Feel confident from day one

You're never too small, and it's never too soon to know you're on track for success.

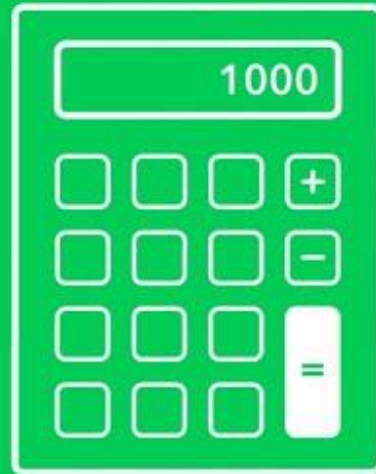
5. Understand your startup cost

Whether you're self-funded or you work with angel investors, you still need to understand the costs of a small business startup.

Start by mapping out all of your anticipated costs for the next year. Then determine how much money you need to earn every month to stay in business—for example, your operating income and salary—and be mindful of costs like business taxes.

It can take time to build up your revenue, so recognizing costs and cash flow management trends early on is critical.

Understanding startup costs



6. Plan your starting finances

If you don't have startup cash, you don't have to seek angel investments or venture capital. You can turn to other methods instead, like personal savings, crowdfunding, or loans.

Ways to fund your startup costs



- Personal savings
- Crowdfunding
- Microloans
- Personal loans
- Grants
- Friends and family



Here are some ways you can fund your startup costs:

Personal savings: Using your savings can seem daunting, but you'll own your business outright, won't have to give away ownership, and you'll eliminate the hassle of acquiring debt.

Crowdfunding: Crowdfunding is a popular route for many new business owners. You can use it to seek funds from many people rather than one major investor.

Microloans: These are small business loans, often less than \$10,000, that you can use to get your business off the ground. Research microloan options in your city, state, or country, as there are many different services.

Personal loans: If you have a good credit rating, you can take out a personal loan instead of a business loan. Just be aware of long-term interest and tax implications.

Grants: You may be eligible for grants from your government or private organizations. Again, you'll have to do some research to find out what you qualify for and how to apply.

Lastly, plenty of businesses get their start through the help of friends and family. Don't be embarrassed to reach out. But take those pitches seriously by outlining your work through your canvas or business plan.

7. Determine your business structure

Next, choose the legal structure of your business entity. Are you better off as a sole proprietor? Do you have a partner? Do you plan to incorporate your business?

Popular business structures



- Sole proprietorship
- Business partnership
- Incorporated business
- Limited liability company (LLC)



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Each business structure option has its advantages, tax reporting responsibilities, and regulatory requirements.

Here are some popular business structures:

Sole proprietor or sole owner: This is a popular option for anyone who doesn't have a lot of liabilities (e.g., no employees or significant investments) when they start and an excellent option for those with a small side hustle or day job.

Business partnership: If you're going into business with a partner, you will need to register as a business partnership or limited partnership. Expect to work with a lawyer and a tax professional to lay out your partnership type, terms, and tax implications.

Incorporated business: Some notable benefits of incorporating your business are tax breaks and liability protection. Due to upfront costs, many sole proprietors wait until they have earned enough funds and are at the right stage to incorporate.

Limited Liability Company (LLC): A form of a private limited company that safeguards business owners, managers, and the LLC itself against certain types of personal liability. Personal liability is an important consideration if you plan to operate from a brick-and-mortar location. Should someone get injured on your property, you may not be personally liable for the damages.

If your business is an LLC, corporation, or partnership, you'll likely need to register your business with any state where you conduct business activities. You may also want to opt for a federal tax ID number or an Employer Identification Number (EIN) instead of using your Social Security number. The IRS uses this number to associate you with your business.

There are several other business structures to choose from, depending on which country you live in. Speak with an accountant or bookkeeper to determine which option best suits your needs.

8. Investigate your legal requirements

Before starting a new business, consult a lawyer to ensure you've considered all the legal requirements. A reliable lawyer can help you solve legal and contract disputes and give advice before you sign a new contract.

Here are some essential questions to ask your lawyer:

Should I trademark my company name or logo?

Do I need a patent, copyright, or intellectual property protection?

Can you create standard contracts for negotiating with other businesses and vendors?

How do I form a sole proprietorship, partnership, or corporation?

What's the process for sharing equity when seeking private investors?

Different laws apply to every type of business, product, or service. Every country, including the United States and regions within, will have its own set of rules. Your local and federal government websites are an excellent place to begin your research about legal requirements.

You should also consult national consumer and privacy laws for collecting personal customer information.

9. Apply for permits and business licenses

Next, visit your government services or the Small Business Administration (SBA) to determine whether your business requires any national or local licenses or permits.

While you're at it, check to see if you qualify for any tax deductions and credits. Many local governments design special credits to help small businesses grow faster.

You will need an EIN if you plan to hire employees or open a business bank account. This will also serve as the tax ID you'll use to pay federal, state, and local taxes.

Find an accountant or bookkeeper who can advise you on any other tax-related applications you may need to complete. Again, this process depends on where you live and the type of business you're operating.

10. Create and register a business name

After you've had a conversation with your accountant and lawyer, it's time to register your business name, but the process may differ depending on your location. You can also consult an expert to help you choose your business name, create your logo, and register your business. You can change your business name and logo down the road but try to start with a name and brand that you can stick with.

Here are a few things to remember before finalizing your choice of business name:

Web-friendly naming: Keep your URL under three words if possible.

Consistency: Use the same name across the board.

Unique but not hard to spell or pronounce: You don't want customers guessing what your name says.

Once you've landed on a name you feel good about, make sure it's available. The quickest way to find out is through an online search. Enter your desired name into Google and check social media platforms. Then reference your local secretary of state's

office to ensure another company isn't using the name. If you plan to conduct business in multiple countries, also check for the name's availability in those countries.

Finally, if you decide to register your name as a trademark, you'll need to do so at this point. Keep in mind that there are additional costs associated with every registration.

11. Open a small business bank account

A business bank account can help you track business expenses and take advantage of tax deductions and credits available to small business owners. You might consider opening a business bank account when you start making business transactions. If you're an LLC or corporation, you must have a separate bank account for company finances.

There are other benefits to opening a business bank account, including:

- Opens the possibility of lines of credit.
- Credit card availability.
- Access to in-house loans.
- Mobile payments can go straight to your account.

Arrange a meeting with a business banking specialist to determine which type of account is right for your business. Cross-reference the bank's advice with your accountant to determine which savings bundles or special accounts will benefit you.

12. Set up accounting and payment systems

Setting up financial systems is the first thing you should get help with when starting a new business. You'll save yourself time and money in the long run if your accounting system is set up with growth in mind from the start.

Many small business owners outsource their accounting to a bookkeeper or chartered accountant. While that can save you a lot of time, you still need access to tools to help you review your finances month to month.

Cash flow is critical in starting a business—consider setting up a cash flow spreadsheet and a balance sheet beforehand. You might also consider accounting software that automates this process and can help you visualize the money coming in and going out.

Regardless of your choice, maintain a complete record of your finances in one place. Every level of business has legal and record-keeping tax obligations. Nailing down your bookkeeping from day one frees you up to work on growing your business.

13. Outsource essential functions

When starting a business, you might be tempted to do everything yourself to save money. But spending time on tasks that aren't in your skill set can cost you even more time and money.

Delegate or outsource tasks that aren't your area of expertise, like accounting, administrative work, or public relations. If you have the funds and legalities worked out, you can hire a few employees to share the workload.

It might be tough at first to trust other people with your business. But if you hire great employees, you'll question why you didn't hire them sooner. If money is tight, but you still need help, you can enlist contractors or freelancers.

14. Learn how to pay employees

If you decide to hire someone instead of outsourcing to a contractor, you'll need to familiarize yourself with business taxes and payroll.

For example, you must withhold taxes from employee paychecks. Speak with your accountant to ensure you meet all your tax responsibilities. Ask common payroll questions to understand payroll basics.

Make paying employees easy by using digital payroll services that offer both self-service and full-service options. Using payroll software can help you:

- Set up and track employee health insurance, retirement plans, deductions, and garnishments.

- Monitor employee payroll data and annual changes, like bonuses and salary bumps.

- Establish a digital process to deposit your taxes automatically.

- Add new employees to your payroll system automatically.

- Enable automatic online direct deposits, which transfer funds into your employees' accounts worldwide.

Overall, payroll software can help you manage payroll effectively and better understand how to process payroll.

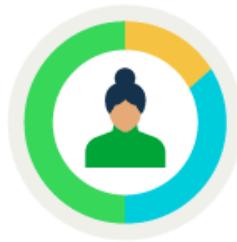
15. Find a business location

If you're preparing to open a brick-and-mortar food or retail business, picking the right location is extremely important.

How to find a location



Consider online only as an option



Determine your demographic



Look at foot traffic



Examine the business community



Consider your competition



Analyze the history of the location

As you scout locations, there are a few things you need to keep in mind:

Online only: If your business is online, you need to consider where you will host your site as well as the design and speed to handle web traffic.

Demographics: Consider who your customers are and how they'll interact with your location. Does your target demographic frequent this potential location? Make sure your location reflects the image you're trying to project.

Foot traffic: Before you sign a lease, monitor the foot traffic outside a potential location throughout the day. Is it tucked away, or does it see plenty of passersby? Does the location have suitable parking for your future customers? Is it accessible?

Competition: Having competitors nearby isn't always a bad thing. Either way, you'll want to be aware of them before you decide on a location.

Business community: Are there other businesses nearby? You may benefit from their foot traffic. Are there restaurants nearby? Your customers might enjoy a bite to eat after shopping at your store. Look for a location where you can benefit from other businesses—and they can benefit from you.

History: Research the history of the location. If other businesses have tried and failed in a space, you might want to know why.

No matter what type of business you plan to start, ensure your location can meet your present and future needs. Look for adequate electrical wiring and utilities, space for your employees or any special equipment, and even zoning ordinances.

Finally, keep the cost in mind. Rent is a major monthly expense for many small businesses, and there may be other location-related expenses like insurance, cleaning services, and parking fees.

16. Market your business and launch a website

Whether you run an online business or a brick-and-mortar location, you must include a website as part of your marketing strategy. Fortunately, you don't have to spend much money on setting up your business for online sales.

There are lots of easy-to-build, affordable website options. A few things to consider are:

- Creating your website layout/theme.

- Picking your color scheme.

- Hosting for your website.

- Marketing for traffic.

When you have the time and resources, you can create business social media profiles to boost your social media presence and bring in new customers. From there, consider investing in digital marketing tactics like paid ads, reviews, and search engine optimization. As your business grows, you can budget for a stronger, more impactful digital marketing strategy.

17. Explore business partnerships

Consider also partnering with other companies for collective growth. There are several ways to form partnerships, such as:

Revenue share: Work with partners to help them sell services in exchange for revenue share. Common for small business owners who want to expand without hiring more full-time employees.

Referrals: Offer a commission to a partner who helps introduce and assist you in closing a prospective customer.

Joint ventures: If you plan to build a tower for office space or expand, consider forming a joint venture with another business or group of companies that have more capabilities.

Cross-promotions: If two businesses have similar target customers, it often makes sense to partner on a cross-promotion.

Spend some time thinking about whether there are businesses in your community you can partner with. When approaching them, be honest and clear about what you want and what's in for them.

You can always ask their existing or past partners whether they were happy with a recent joint venture or cross-promotional experience.

18. Drive customers to your business

While creating a website can be made simple with plenty of online tools to assist you in your journey, driving customers to your business can be much more tricky.

How to attract customers to your new business



Place online ads on websites and social media



Place ads on magazines and newspapers



Attend business events to find networking opportunities



Ask for referrals from customers on social media

Depending on your type of business, you should consider:

Online ads: Ad placement on a popular website and social media.

Print advertising: Ad placement in a magazine or newspaper.

Networking opportunities: Attend business events in your community.

Referrals: Ask for referrals from your customers either through word-of-mouth or sharing on their social media.

Even with these tools, time and commitment are necessary to build brand reputation and customer loyalty.

19. Don't be afraid to ask questions

Asking for help may be challenging, but don't underestimate the power of utilizing your network or teaming up with a mentor for help. Take advantage of your social and business circle of friends for better insight.

Remember, starting your business is only the first step of your small business journey, and you can change how you operate as your business grows.

Start your business with confidence

There's a lot to consider when bringing your entrepreneurial dreams to life, and this guide on how to start a business only scratches the surface. If you're ready to get your business up and running, start with your vision, research your opportunities, and record it all in a business plan or journal.

It's critical to understand and manage your startup costs and cash flow wisely if you want a successful business. You can use services to automate processes, like accounting software, to help with your books and closing. You can also lean on business partners in your community to collectively support and grow your customer base.

When in doubt, ask for help. Expert advice can take your business to greater heights. And remember that fortune favors the bold, but it smiles on the prepared.

QuickBooks has the tools you need to help your business thrive.

How to start a business FAQ

When should you start a business?

The best time to start a business is when you have the time and energy to devote to it. But also, when you've done a market search, you started building a business plan, you're OK with the risk, you have some cash saved, and you can dedicate your energy to starting a business.

Is starting a business difficult?

Starting a business can be difficult, but it's easier with help. Getting help setting up financial systems, choosing a business structure, registering your new business, and even choosing a business name can make starting a business easier. Finding a mentor or investing in outside help increases your odds of success.

How much does it cost to start a business?

The cost of starting a new business varies by business type, industry, and location. Estimate your startup costs on the SBA website before starting your business to determine how much you'll need and whether you should apply for funding.

There are a few costs every business can expect to incur upon startup, such as licenses, permits, registration fees, insurance, and marketing. It's also a good idea for every new business owner to invest in an accountant or legal professional.