Startup 101: How Experts Drive Success

Congratulations on making the decision to turn your business dreams into a reality! If you are reading this, it is probably safe to assume that you are preparing to or have recently started your own business. Simply by taking this step you have placed yourself in a very exclusive group—entrepreneurs. Most people’s fears of failure and their inability to take risks are stronger than their desires to live out their dreams. This is not the case with you, and you are to be commended for your courage and determination.

The goal of this guide is to provide you with an initial framework for getting started and, more importantly, to challenge your thinking. Rather than simply providing another rehash of what is already out there, this guide combines the basic “how-to’s” with critical foundational concepts of starting a business, addresses the tough questions and, addresses street-smart insights that will enable you to run and grow your business long after you have first opened your doors.

Successful entrepreneurs naturally embrace the challenge of translating their lofty ideas into reality. Creating a new business is exciting, invigorating, and consuming—and it requires the very best of what you have in order to become fully and completely realized. By learning to build a successful business, you will be able to use your entrepreneurial spirit to achieve a goal that few other people will ever be able to reach.

WHY NEW BUSINESSES FAIL (AND HOW YOU CAN SUCCEED)

You’ve most likely heard the grim statistic that most new businesses fail within the first few years—including businesses with significant capital, a solid team, and a well-thought-out business plan. This is an inescapable truth which you will have to come to grips with. But the corollary of this is a far more positive one: there are new businesses that will go on to achieve success, some for several years, many others for several decades.

Will your business be of the former type or of the latter?

The answer to that question depends largely on you. In reality, most business that fail, do so not because of poor planning but because their owners did not adequately prepare themselves for the real world of business. And so, before going any further, it’s important for you to take a step back and answer two key questions:

1. How committed are you to making your business a success? Before you do anything else, ask yourself: how intensely do you want to achieve the business ideas that you have been dreaming about? Do these
ideas provide only pleasant thoughts during idle moments, or do they burn within you like a fire that you can’t contain? The fact is, both starting and operating a business are exceptionally hard work, and the only business owners who succeed are those whose drive and motivation are equal to the challenge.

2. Do you possess the mental and emotional endurance necessary to succeed? Starting, running, and growing your own business will take your best effort, especially as challenges and setbacks mount—as they almost surely will. Regardless of the research you may have done or the conversations you have had with other entrepreneurs, you will never truly understand how taxing becoming an entrepreneur will be until you actually do it. On the same token, you will never fully comprehend your sense of accomplishment until you actually arrive. Don’t underestimate the time, energy, and money that your business will demand. Be willing to give the mental and emotional endurance that your new venture will require.

If you’ve answered “yes” to both questions, then the following pages will provide you a way to channel that commitment and endurance into a strategy for starting your business. As you read each section, take time to consider exactly how it applies to what you want to accomplish and then act. The worst thing you can do is nothing. Just ask the would-be entrepreneurs of the world, whose ideas were launched by someone else.

YOUR TARGET MARKET: CREATING FOCUS

Whether you are seeking to build a global technology company or a neighborhood restaurant, you will encounter an array of external, or “environmental,” forces that will help to determine whether your venture will be successful—and how successful it will be. Some of these factors you will be able to control, and others you will not. But individually and collectively, they will exert a powerful influence on your business.

These environmental factors are collectively referred to as your “market.” Now, the word “market” has a number of disparate meanings in business, and it’s important to not to confuse them. A market is often referred to as a business’s geographic reach. The market for the original Starbucks coffee store, for instance, was a section of downtown Seattle; today, each individual Starbucks franchise has its own local market in thousands of cities throughout the world. For online stores like Amazon and eBay, by contrast, the market is the entire world—and has been since their beginning. Another meaning of market, is a physical thing or a place where goods are bought and sold—a supermarket, for instance, or an open-air produce market or even an online marketplace. And the verb “to market,” as in “to market a product or service,” means to promote one’s business offering to members of the buying public.
While each of these phrases may have more or less meaning for your own particular business, the word “market” is broader and a little more abstract. As “the collection of external factors affecting your business,” your business’s market encompasses a variety of factors and elements external to your business, such as:

- Your customers
- Your competitors
- Physical geography
- Economic infrastructure

While many other factors may affect your business as well, we need to address a more fundamental question: why do you need to study your market at all?

**WHY STUDYING YOUR MARKET IS IMPORTANT**

In business, you conceive, develop, and refine your products and services. You do everything you can to make your offering as compelling and useful to a potential customer as it can be. You need to make sure that you are prepared to meet the demands and opportunities of your market.

How does this apply to starting and running your business? The success of your product or service not only depends on its quality but also on how well it matches the needs of your market. Moreover, because “market” is such a multifaceted concept, the manner in which your product or service “meets the needs” of your market will be multifaceted as well. How can you determine the closeness of the match? You guessed it: by studying and understanding the market in which you will compete. The research you do on your market—commonly called “market research” in business circles—is your insight on the business environment in which you hope to participate.

One way to approach your market research is through the “four Ps” of marketing. They are:

- **Product** – What is your product or service? Product design, sizes, warranties, features, and quality are just a few of the items that go into defining your product. Seek to understand not only what product features are important to your target market, but why.
- **Price** – How much will a customer pay for your product or service? Be sure to consider what the target market’s perceived value of your product or service is. If the value is too low, then your product will not be adopted.
- **Placement** – How will you get your product into the hands of your customers? This is often referred to as your distribution channel. From a bricks and mortar store to an online presence, knowing how to conveniently provide your target market will what you are selling will add utility to customers.
• **Promotion** – How will you communicate and increase awareness for your product and service? Social media, print, public relations, and sales promotions are just a few of the ways to get the word out. By understanding the best ways to get the word out to your target market will help you effective use your marketing dollars.

**MOTIVATION TO PURCHASE: WHAT DRIVES YOUR CUSTOMER’S DECISION?**

There is a reason why people purchase products and services. And even though it is the most important fact of all business, marketing, and sales planning, it is often glossed over, if not ignored altogether. There is a reason behind every purchasing decision. Regardless of who they are and whether their reasons are rational, financial, or emotional, there is a reason. It’s your job—as a business owner, product manufacturers, and/or service provider—to discover what those reasons are.

**WHY CUSTOMERS PURCHASE PRODUCTS AND SERVICES**

Why will your target customers be interested in what your company has to offer? Why will they be willing to give you their hard-earned cash? Why will they choose you over your competitors? These questions all center on one larger issue: why do customers buy what they buy, and how can you use an understanding of those motivations to your company’s benefit?

There is an endless number of reasons why customers decide to make a purchase, but there are a few general reasons that play the most prominent roles. These include:

- **Utility.** Does the product or service fulfill a specific, defined need that the customer possesses? For instance, if someone has just moved to a wintry climate, they’ll need to find a way to remove snow from her car’s windshield. If your company manufactures windshield scrapers, you will be in a good position to make a sale because you will be able to satisfy a very specific, utilitarian need on the consumer’s part. More generally, utility-focused consumers tend to look at the features and capabilities of a product in order to make their buying decision. Since so many purchases are intended to serve specific, utilitarian purposes, “utility” represents one of the main reasons why customers purchase products or services. But it’s far from the only one. In fact, product manufacturers have lost out in sales and market share to technically inferior products because customers made their purchasing decision on bases other than pure utility. What might some of those other reasons be?

- **Financial or material gain.** Utilitarian purchases typically revolve around a specific need or objective—to clean a windshield or a carpet, to satisfy hunger or lose weight, or to provide jets for the nation’s Air Force. But purchases also can serve more financial or material purposes as well, either complementing a
utilitarian purpose or comprising the entire motivation for the purchase. For instance, a homeowner may purchase a work of art because she needs to fill an empty space on a wall (a utilitarian purpose), but she also may hope that the artwork will appreciate in value over time and that she can later sell it for a profit (a financial purpose). In fact, as noted, the financial purpose can be the entire reason for a purchase. For example, an individual who buys stocks or bonds typically does so solely due to the hope for financial gain, with no other utilitarian purpose involved.

- **Convenience.** Just as people purchase products or services in order to save (or make) money, they also buy them in order to save (or create) an even more precious commodity: time. Indeed, those individuals old enough to remember will recall the 1950s as a period when the time-saving characteristics of a new generation of household appliances and transportation options made “convenience” a pre-eminent purchasing motivation. The integration of such time-savers into almost every facet of household and business operations has tempered the reliance on convenience as a selling proposition somewhat, since it has become so ubiquitous and pedestrian. Still, certain products—smartphones, streaming video services, and iRobot vacuums, to name a few—continue to appeal strongly to people’s desire for convenience.

- **Peace of Mind.** People who are purchasing a product or service want to be sure that they are spending their money wisely—in particular, that the product or service will function as advertised or deliver the promised value. That is, they want to have “peace of mind.” Because consumers rarely can give products or services a full pre-purchase test, they have to rely on implicit indicators of quality. One of the most important of these is brand reputation. Potential customers who have heard positive comments about a product, service, or merchant—or, more importantly, have had a positive personal experience—are more likely to make a purchase than are those who have heard nothing about what they are purchasing or, worse, have heard negative comments or had negative experiences. This factor is one of the most challenging for startup ventures, since most are entering the market with no established brand or reputation, making it challenging for them to deliver peace of mind to potential customers.

- **Emotion.** People obviously buy many products just because they like them. As with the previously mentioned work of art, the customer may not have a pressing need to fill a space on the wall nor seek any kind of material gain but may have simply become so enamored with a painting that she wants to be able to look at it every day. That kind of emotion is often called “instrumental emotion”—meaning that there is a specific mechanism through which the emotion is experienced, in this case by seeing the painting. In other situations, the emotion is experienced indirectly merely through the knowledge that one has purchased a particular product or service—a type of emotion called “passive emotion” or “psychic value.” For example, a sports fan might purchase a World Series-winning home run ball and store it away in a box, only rarely to look at it, yet still feel emotional satisfaction because he owns that specific piece of baseball
history. Emotion also can be used to influence utilitarian or other purposes. For instance, a teenager may need a T-shirt to wear (a utilitarian purpose), but choose a socially acceptable brand of T-shirt—according to his peers—over a plain black version.

- **Aspiration.** Emotion plays to the feeling that a particular product or service evokes in the person who purchases it. Aspiration, on the other hand, appeals to what the person wants to become, or how he or she would like to be seen by others. Diet programs, for instance, are promoted for strong utilitarian purposes (i.e., to lose weight). But the frequent use of before-and-after pictures and photos of successful program participants recognizes that such purchases are likely to involve aspirational motivations as well. Similarly, car commercials that feature drivers surrounded by beautiful women (a benefit that has nothing to do with the car’s specific utilitarian features or performance) play to the common aspirational desire of many male drivers to be found appealing to attractive women.

- **Social status.** It’s an old cliché that people buy things “to keep up with the Joneses.” But cliché or not, the notion of purchasing products or services for the purpose of social status is stronger today than at any time in the past. In fact, status-motivated purchases were so prevalent in the 1980s that a new term was invented to describe that behavior: “conspicuous consumption.” While the motivation of status has elements of emotion and aspiration, it builds upon those purposes in a distinct and important way. Emotion and aspiration are self-directed motivations, whereas social status is intrinsically focused on the comparison of oneself to others. Such consumption is meant to tell others: “I am wealthier than you, more refined than you, or better than you in some important way.” One example: Grey Goose Vodka—one of the industry’s priciest—reportedly tastes little different from other vodkas but is consumed by status-conscious individuals because of the message of social superiority it conveys. And while Prada handbags are certainly well-made, there is much more than technical quality behind their high prices.

- **Novelty.** Finally, people sometimes like to purchase products or services just because they are new. Novelty-motivated purchases carry a bit of status motivation as well. Especially in tech-savvy circles, social status is determined in part by who has the coolest “toys.” For example, every new release of an iPhone has met diehards camping out and lining up to be one of the first to own the latest must-have. But novelty often exists as an independent motivation: many consumers love the experience of owning something before it has become commonplace. However novelty can be a two-edged sword. Many other consumers shun novelty, especially for technology products, because they fear that all of the “bugs” haven’t been worked out or believe that the price will come down once the technology matures.
BRINGING IT TOGETHER THROUGH BRAND AND POSITIONING

While it might not be the sole reason for starting a business, making money has to be somewhere on the list! You do that, by selling your product or service through persuading your target audience to buy from you. To do this, you will need to find a way to “connect” with your target audience or your products will remain on the shelf and your services will stay under wraps. The marketing and sales functions are the primary means through which you make this connection.

Entire books are devoted to mere subsets of the marketing and sales functions in business of course, and so we will barely be able to scratch the surface of these important subjects in this section. Nevertheless, it will be helpful to have an overview of the marketing and sales landscape that you face so that you can more easily choose those strategies and tactics that will be of the greatest benefit to your business. And when it comes to implementation, you will need to know about the context and the specifics of the marketing and sales initiatives that you have selected if you want them to be successful.

With that in mind, you need to become familiar with the basics of formulating a marketing and sales strategy. The strength of that strategy will be based on how well you have described your company to the public.

DEFINING YOUR COMPANY’S IDENTITY

As you plan your business, there are three key elements of your company’s identity that you need to define. These elements are so basic that some entrepreneurs decide upon them quickly and give them little thought thereafter. However, these elements are so important to the initial impression that your company creates, they are worth more than passing consideration.

These three elements are:

Your Company’s Name

If you are like many entrepreneurs, you probably chose your company’s name before you made any other key decisions about your business. That’s fine. But before you commit to the name (through letterhead, signage, legal registration with your state government, etc.), make sure that it’s the right name. Choosing a company name can be a complex task, and there isn’t room here to explore all the key aspects of the process, but in general your name should be:

- Simple, easy to say, pleasant to hear, and easy to remember
- Descriptive or at least evocative of your business, its style, or its “attitude”
- Appropriate to your market, industry, and target customer base
- Original enough to be interesting
Considerations like these can be extremely important to your marketing and sales efforts because your name can evoke a positive or a negative reaction from your customers—a reaction that's sometimes more powerful than the specifics of what your marketing materials say. The ideal reaction, of course, depends upon the impression that you want to create. "Dave's Computers" is probably not a good name for a local computer dealer since the company sounds small and old-fashioned—the opposite of the image that most computer dealers seek to cultivate. On the other hand, "Dave's Plumbing" may be just right for a small plumbing shop that emphasizes personal attention to its customers’ needs.

**Your Company’s Logo and Colors**

Your logo is the graphic element that symbolizes your company. A well-designed company logo should evoke a positive emotional reaction from your customers even as it creates immediate recognition for your company. Some logos, like Nike’s “swoosh”, have become so well-known, in fact, that the accompaniment of the brand name itself is no longer necessary. Like a company name, a good logo is simple, evocative of your company’s line of business, and interesting enough that people will remember it. Make sure your logo is professionally designed. An amateurish or too-busy logo can be worse than having no logo at all.

Regardless of the visual approach you use for your company's name, be consistent. Familiarity depends upon repetition, and the only way that members of your target market are going to become familiar with your company's name and logo is if they see the same thing every time (only after you become well-known can you “play around” with your logo, like Google sometimes does). Remember that color is one of the most powerful mnemonics. Consumers readily recognize McDonald’s restaurants from blocks away—even if they can’t read the signs—because they have grown accustomed to the fact that red and yellow are the company’s colors. And H&R Block uses, appropriately, a simple square block as its logo, but the block’s distinct green color makes it vivid and memorable.

**Your Tag Line**

The third key identity element is your tag line—the phrase that that often follows the company name. One example is Wells Fargo’s tag line—“Together we’ll go far”—not only because the tag line is future-oriented (a good thing in the highly competitive world of banking), but because it plays to the company’s heritage as an Old West stagecoach operator. Likewise, Williams-Sonoma declares itself to be “inspiring cooks everywhere,” which pretty much says all that the store wants to say.

As with your logo, not every business needs a tag line. But if you decide to use one, choose a tag line that is brief, crisp, and credible—and not so generic that it lacks any real meaning. “The Best in Town” is usually not a good tag
line since it could apply to any number of businesses. However, “The Professional Carpet-Cleaning Experts” may be an effective tag line because it points to what is presumably a core part of the company’s value proposition.

As companies become large and well-established, they often abandon their original tag lines since the lines are just one more thing for already overwhelmed consumer minds to remember. For instance, Coca-Cola is rarely “The Real Thing” anymore, and the people at Hallmark no longer “Care Enough to Send the Very Best.” But memorable tag lines can be quite useful for companies just starting out that have no pre-existing name or brand equity because they give would-be customers something familiar or interesting to latch onto and can serve as an initial bridge between the company and its target audience.

**ESTABLISHING YOUR BRAND AND POSITIONING**

If you have been in business circles long enough or have read some books on starting a business, you have no doubt come across the terms “brand” and “positioning.” These are important bridge concepts between your company’s core identity and your ability to communicate with your audience in the marketplace. But even if you have heard these terms, you may not know exactly what they mean. So let’s begin with a couple of brief definitions:

- A company’s brand is the promise of a particular customer experience. A brand is what a company stands for. The McDonald’s brand, for instance, has long been one of fast service at an affordable price. Nordstrom’s brand is one of exceptional customer service. The Home Depot’s brand is one of home-improvement expertise. The brand represents how a customer is likely to feel when interacting with the company.

- A company’s positioning is the place that the company holds in the marketplace. A particular grocery store may be the “value leader,” “healthy food alternative,” “gourmet grocer,” and so on. The positioning is often regarded as the word or words that the company “owns” in its customers’ minds.

There are a couple of interesting aspects about brand and positioning. The company’s name, logo, colors, and tag lines are obvious and concrete. You can write them on a piece of paper or see them on a sign. But brand and positioning are more abstract concepts. While you can state in words what you believe them to be or what you would like for them to be, they exist primarily as customer perceptions. They are experiences, rather than words or phrases.

Second, your company name, logo, colors, and tag line are completely within your control as the owner of your company. You decide what you want to call your business, you select the logo, and you choose the tag line. If you want to state that you are the “value leader” in your product category, then you are certainly free to say that. But in the same way that you cannot control the impression that another individual has of you as a person, you cannot control the impression that customers will have of your company. For instance, you can say that your company is
the value leader, but if your customers don’t believe it, then in reality—in their minds, which is what really matters—you are not the value leader. Your brand and your positioning in the marketplace will be determined ultimately by your customers—and not just by you—based in large part upon the experiences that they or others they know have had with your business.

In this sense, your company’s brand is similar to its reputation—it’s a lot easier to lose a good reputation than it is to acquire and maintain one. A brand takes a long time to build and is a very fragile thing. Repeated negative customer experiences can undermine or even destroy your brand, and no amount of marketing or publicity can rehabilitate it. So when companies speak about “protecting their brand,” it’s a very important task. Your brand precedes you—and that means it comes before your advertisements, before your marketing materials, and before your salespeople. A good brand can open doors before you get there; a sullied or negative brand can slam them shut.

Positioning has many features of a brand, but it comes with unique challenges of its own. A number of companies can have a similar brand in that they all can promise roughly equivalent customer experiences. But only one company can occupy a market position in a specific category. That is, only one company can be perceived as the best according to a specific characteristic in the minds of its customers. For instance, there can be only one low-cost leader in a given category. If the position that you want to hold is already occupied, then you need to pursue either a different position, a different category, or a different target market (e.g., teenagers instead of adults, stay-at-home moms instead of all women).

**The Bottom Line**

Your ability to define your market, customers’ motivation, as well as your company’s brand and positioning are just a few of the tasks you must address in starting a business. As you define each one for your business, you will discover how each one complements the others and as such, your business will come into sharper focus. But an idea without action is meaningless.

Many would-be entrepreneurs have mistakenly thought they could simply ride a “great idea” to success. Being a successful entrepreneur is more than just a product or service. It is being prepared to adjust your plans as conditions and opportunities change, without compromising your vision. By using the information in this guide, you will have the tools to take hold of those opportunities and move forward in making your entrepreneurial dreams a reality.
ENTREPRENEUR COACHING BIO

The Entrepreneur Coaches are a team of knowledgeable entrepreneurs with personal success in starting, running, and growing businesses. From the beginner to the most experienced entrepreneur, the Entrepreneur Coaches possess the understanding and know-how to help individuals achieve their business goals.

EXPERIENCED
Each Entrepreneur Coach has first-hand experience. If they didn’t, then they wouldn’t be a Coach. They’ve learned from their own mistakes and successes—and as a result—are able to pass their insight and savvy on to their clients. They have business acumen in starting, running, and funding businesses along with everything else a successful venture entails.

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In addition to their depth of skills, each Entrepreneur Coach is a certified. This means that not only do they know how to be a successful entrepreneur, they know how to help others be successful too.

The Entrepreneur Coaches have the ability to connect and build trust with every client. By applying the Entrepreneur Coaching methodology, an Entrepreneur Coach is able to motivate and empower clients to realize their aspirations through action, accountability, and on-going feedback.

Entrepreneur Coaches understand that it isn’t about them. They place their focus on helping clients discover areas of improvement, set goals, and define a practical plan for taking action. By keeping constant focus on the client’s performance, graduates of Entrepreneur Coaching not only achieve their goals, they become people who achieve goals.

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