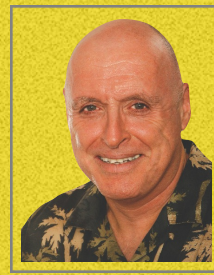


# THE EXTRA POINT

BY JERRY ROBERTS



## # 1494 Starting a Small Business: Are You Sure? – Part 1

Every year, millions of people across America and maybe a couple thousand here in Guam start a business. The universal reason is that they have a desire to be their own boss. They want to decide when they work, when they don't, and be in control of their time, not to mention the direction of their life. I'm Jerry Roberts and while this is what I did for most of my career, I don't advise it for most people. That is, unless they meet specific criteria. I've got details next on that, next on The Extra Point.

About 4.5 million businesses are started every year in the U.S. The number in Guam is likely a couple thousand. Less than 20% of those are what they term "employer" firms. That means they hire people. The rest — over 80% — are solo entrepreneurs, most of those are classified as home-based businesses.

Ready for some gloomy numbers?

70% of new businesses survive beyond two years; 50% make it beyond five years; only 30% last beyond ten years; and just 25% of new business are still with us after 15 years.

Let's look at the main reasons why these small businesses don't last long. I've got six of them, three for today and three more tomorrow.

1. I'm going to start with one that most people don't think of right away, a lack of demand for their product or service.

People have an idea and think it'll make them a lot of money, and they just go do it without first finding out if the market wants what you have. This happens frequently, and the whole thing fizzles out fast.

You need to ask questions before you pour money into a venture. Is anybody else making money, doing what you want to do? Oh, that means competition, and that's bad. No, that's good. It means there is a market for your kind of business. A ton of competition isn't what you want, but some is okay. More on this later.

So what if nobody else is in your business, it means you will have an exclusive, but it also means you'll have to develop a market. Can you do it? Yes, you can. However, if you can't promote the company due to budget issues, then it's a long process.

On the other hand, if you can advertise you can build the market faster. Of course, then potential competitors will see what you're up to and jump in. If they have more money than you do, then they'll likely end up with a larger chunk of that market.

2. The second reason is a lack of planning and not handling money well. Most small business owners are poor financial managers, and they don't have a plan for the business.

They overestimate revenues and underestimate costs. They come into the business without enough money to handle the uncertainties that come up in the early stages of a business.

Maybe your first month was great, and you sold a lot of product. However, you didn't have the funds to order more inventory, and now that people are excited about your company, you can't take any new orders. Oops, you see three new vendors selling your product on Instagram. and you have nothing to sell. This happens more often than you may think.

3. The last one for today relates to entering a mature market that has a fair number of competitors, but also generates significant volume. This is an issue for companies large and small — a lack of competitive advantage.

Why should I buy from you instead of the other five people who sell the same kind of product? The next time somebody tries to sell you something, say, "Okay George, I might be interested. Tell me what your competitive advantage is over the others?" Be prepared for what Simon and Garfunkel might call the sound of silence.

(Con't.)

In summary, the first three reasons for failing in a business are a lack of demand for your products or services; poor planning which also includes financial planning for the business; and not be able to show that you have a definite competitive advantage.

Any one of those can sink a business, and far too many have all three.

Tomorrow, we'll get back into this topic, and on Thursday — if we haven't scared you off from following your dream — we'll give you some ideas about beating the odds and being one of the relative few who make it.

That's the Extra Point. Be responsible and make something good happen today. For 93.3FM, the Ray Gibson Show, and First Hawaiian Bank, I'm Jerry Roberts.

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