

ADAMS  
*Streetwise*™

SMALL BUSINESS

# START-UP



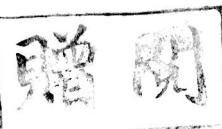
NATIONAL  
BESTSELLER

Your comprehensive guide  
to starting and managing a business

Bob Adams

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ADAMS



**Streetwise**

# Small Business Start-Up



*Your comprehensive guide to  
starting and managing a business*

*by Bob Adams*



E200200512



ADAMS MEDIA CORPORATION  
HOLBROOK, MASSACHUSETTS

## ACKNOWLEDGMENTS

The author thanks the many people who have helped create, produce, and review the material in this book and related CD-ROM, including: John Adams, Javier Amador-Peña, Elise Bauman, Jim Beardsley, Larry Carleton, Chris Ciaschini, Chris Cruz, Howard Davis, Susan Tyrell Donelan, Jim Donnelly, Ewa Erdman, Tracy Fitzsimmons, Judi Hershman, Cheryl McKeary, Frank Micciche, Tom Nickel, Stefan Pagacik, Richard Perkett, Zick Rubin, Art Schnure, Elizabeth Seaman, Aryana Soebagio, Peter Sylvan, Allan Tatel, Bill Thorpe, Betsy Tomlinson, Levin Waters V, Sarah White, and Greg Wyler. In addition, I thank all the employees of Adams Media Corporation for their invaluable help, support and devotion in building this successful business.

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Published by Adams Media Corporation  
260 Center Street, Holbrook, Massachusetts 02343

ISBN: 1-55850-581-4

Printed in the United States of America.

J I H G F E D C

Library of Congress Cataloging-in-Publication Data  
Adams, Bob, 1955-

Adams Streetwise small business start-up / by Bob Adams.  
p. cm.

Includes index.

ISBN 1-55850-581-4 (pb)

1. Small business—Management. 2. New business enterprises. I. Title.  
HD62.7.A3 1995

658.02'2—dc20

95-53135

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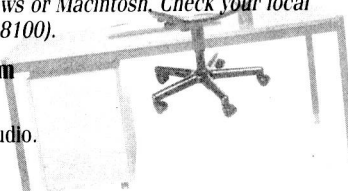
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Book design by Amy C. Thompson  
Front and rear cover photos by Bob Frangioso of Frangioso Studio.



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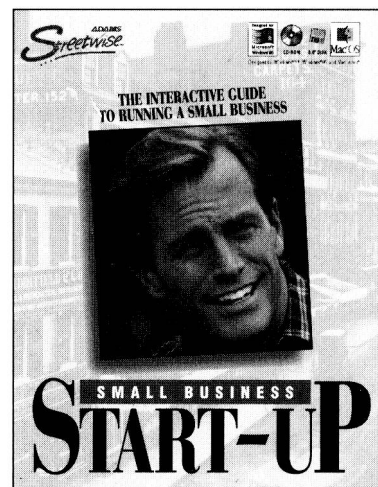
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Designed for Windows®3.1, Windows®95, and Macintosh®



## SPECIFICATIONS

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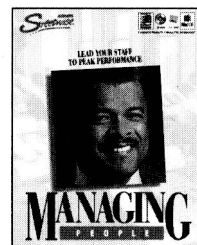
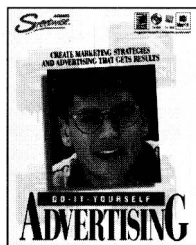
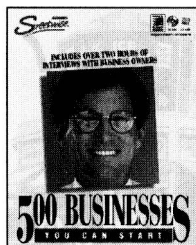
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**Windows:** Windows 3.1 or higher, Windows NT, or Windows 95 • 386 PC (486 or Pentium recommended) • Sound Blaster or compatible audio • 4 MB RAM (8 recommended) • 5 MB free hard disk space

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# Bob Adams...

## Streetwise ENTREPRENEUR

Bob Adams has started and operated many small businesses—some successful and some ***not so successful***. These include a house painting business, a job fair business, an employment agency, a dinghy manufacturing business, a bicycle rental business, a boat brokerage firm, a tourist map business, a phone directory business, a college newspaper, a classified advertising newspaper, a book publishing business, a magazine publishing business, an online information service, and a software publishing business. A number of these ventures have become profitable and ongoing enterprises, while others Adams had to shut down. In the long run, he has lost thousands, but made millions.

Bob Adams started his current business, Adams Media Corporation, 16 years ago in a small basement apartment in Boston. While still in school, he made an initial \$2,000 investment to publish the *Boston JobBank*—a job search reference guide for Boston's thousands of students. The company is now a \$10 million a year enterprise.

Adams is a 1980 graduate of the Harvard Business School, where he received first year honors. He earned his B.A. from Carleton College and his streetwise training in the real world of small business and "the school of hard knocks."

## Introduction

**S**tarting a small business may be easier than you think. You don't necessarily need a lot of money, time, or experience, or even a great idea!

I started all of my eleven businesses with \$2,000 or less. I seldom had any prior experience in any of the businesses I started, and some I successfully got up and running in the few weeks of my summer or winter vacation from college. They included two map businesses, a boat brokerage firm, a housepainting business, and a bicycle rental firm.

There are many excellent business opportunities available today that you can start part time without even quitting your full-time job. Even my current business—Adams Media Corporation, a \$10 million dollar book/software publisher—is one that I started part time in my basement apartment with \$2,000 and no related experience.

While some businesses require more expertise than others, there are plenty of businesses that you can start with minimal or even no skills and experience. Your ultimate success will probably

have a lot more to do with your drive and will to succeed than with the knowledge you bring to your business.

You can always pick up the necessary knowledge along the way. Throughout this book, I'm going to give you every bit of advice that I can, including a lot of streetwise advice that I often learned the hard way... by making mistakes.

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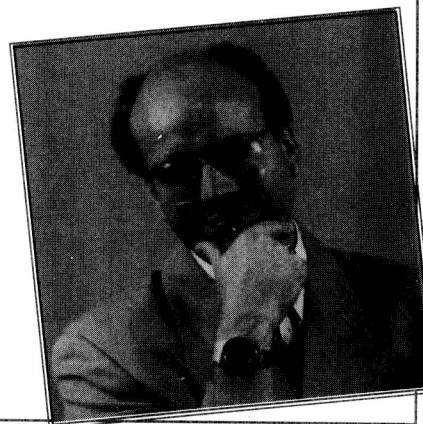
*Starting a new business  
doesn't always require a lot of time,  
money, or experience!*

---

If you're considering starting a business but are not sure, my advice is simple—go ahead, take a chance! You only live once!

**Bob Adams**

*Founder and President  
Adams Media Corporation*





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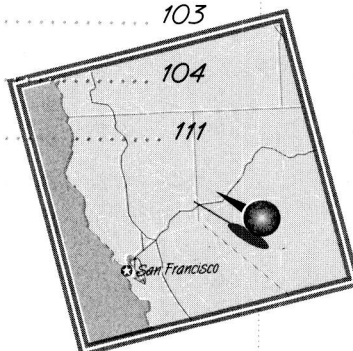
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# S · T · R · A · T · E · G · Y

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*Ideas for New Businesses*

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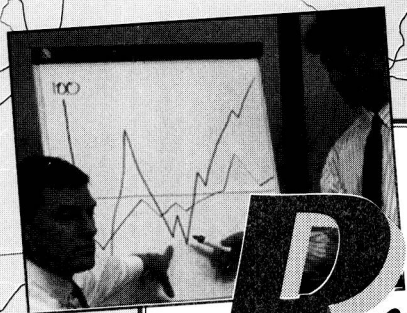
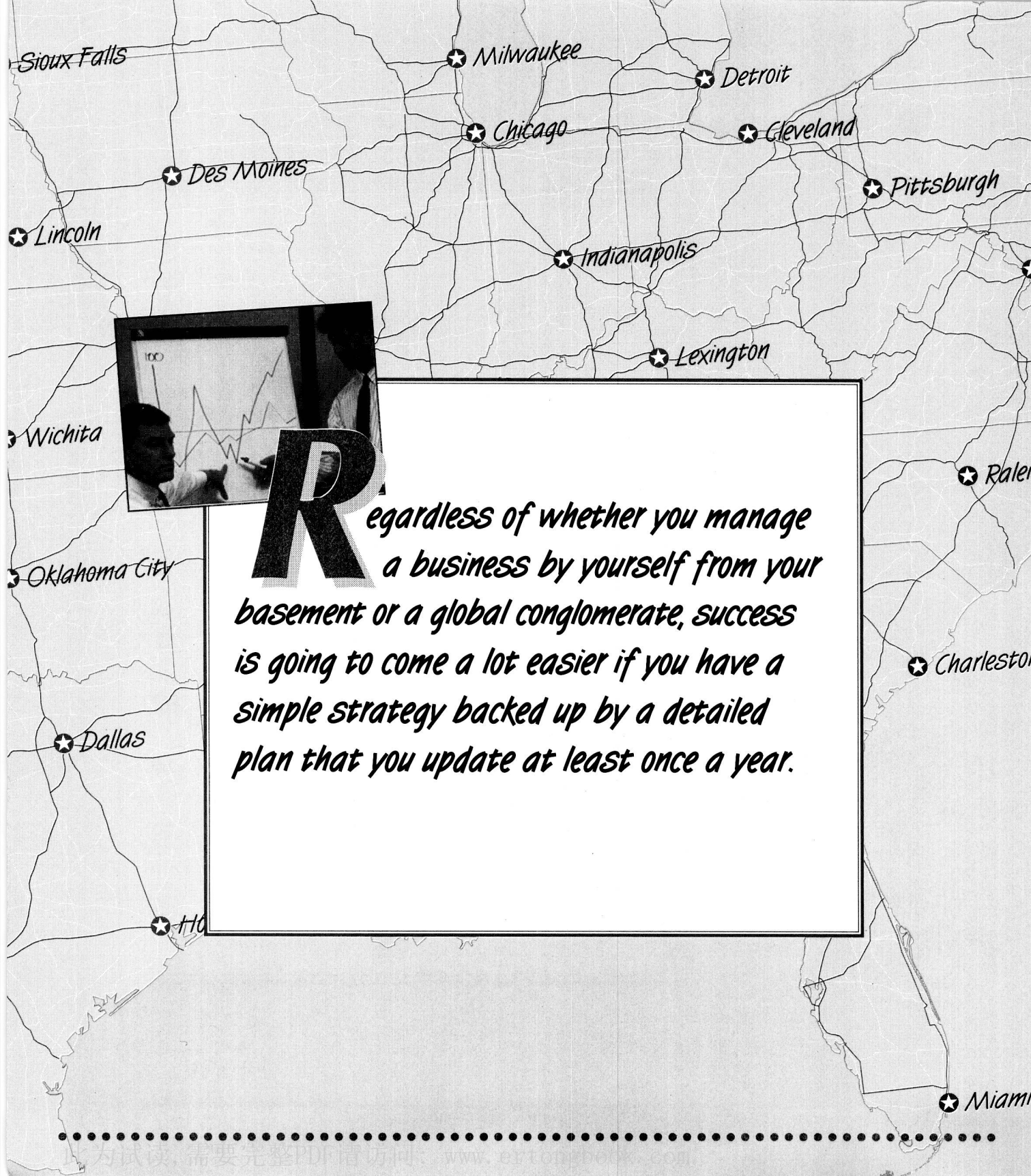
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**R**egardless of whether you manage  
a business by yourself from your  
basement or a global conglomerate, success  
is going to come a lot easier if you have a  
simple strategy backed up by a detailed  
plan that you update at least once a year.



# Adams' Rules for Small Business Success

## 1 *Have a clear-cut strategy!*

A good strategy immediately distinguishes your business from those of your competitors, and gives your customers a solid reason for choosing to do business with you.

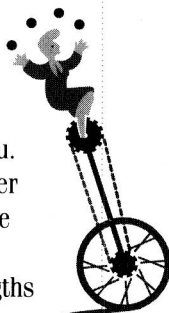
A good strategy should be developed after considering the market, customer needs, the competition, and your business's relative strengths and weaknesses. While the strengths of large, established competitors may seem overwhelming—such as deep financial resources and an established customer base—any new firm has built-in advantages too, such as more flexibility and the knowledge of how existing firms have already positioned themselves in the marketplace.

Many small businesses try to be all things to all people—which is really having no strategy at all! Even if you do everything else right . . . it will be much harder, if not impossible, to succeed in business if you don't have a decisive strategy!



## 2 *Test your advertising!*

Having bought advertising in every media from TV to subway cards, and having sold advertising for the newspapers, magazines, and phone books that I published, I have seen plenty of successful businesses built largely on the power of advertising. But creating successful advertising is a lot trickier than it may appear. Even the largest corporations and the most prestigious ad agencies find it difficult to create advertising that consistently works. So whether you're starting a company or managing an established one, don't spend a lot of money until you are sure



that you have found a marketing mix that works for you!

With whatever advertising method you choose, you can greatly increase your chances of success with what I call "cheap marketing tricks," such as new customer specials, coupons, trial offers, events, exclusive offerings, giveaways, and more. Save the image advertising for big, rich corporations—small business advertising should focus completely on leading customers directly to action today!



## 3 *Follow a plan and a budget!*

Develop a plan before you start your business and update it at least once each year. A plan and a budget help you attain higher goals than if you just plugged away at your business one day at a time. If your company starts to go in the wrong direction, a plan and a budget will provide an early-warning system and help get you back on track.

You don't need accounting experience to set up a budget—but you do need to be very meticulous in projecting and recording each expense and every sale.

## 4 *Guard your cash like King Midas!*

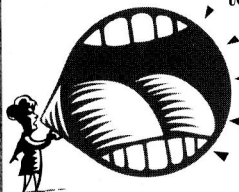
As a small business owner, you are going to be fighting a constant battle to hold onto your cash. Overruns in start-up costs, lower-than-anticipated profit margins, and sales that grow slower than expected are among the most common cash drains on new businesses. Even established, highly profitable, fast-growing businesses often run out of cash because of the need to finance growing inventories and customer receivables.





# Adams' Rules for Small Business Success

You will also find that well-meaning employees will constantly be suggesting new ways to spend or invest your precious cash. You are going to have to pull in the reins and say "NO. NO. NO." to the many different demands on your money. You need to learn to project cash flow with a fair degree of accuracy. If you don't become disciplined in controlling your cash, you can get into trouble very quickly.



## Watch your profit margins!

Many small businesses focus too much on sales and not enough on profit margins. And many underprice their goods and services. Can you increase your prices? Even if you can, it's crucial to keep your costs down!

Let's say you have a profit margin of 5 percent. If you're able to lower your overall costs by just 5 percent, you can *double your profits*! But to raise profits the same amount by increasing sales you would have to increase sales by 100 percent! A small change in your cost structure can go a long way toward improving your profit margins.



## Treat your people right!

Virtually all employees want to work hard to help your business succeed. Treat them right, show interest in them, and compliment their every success. You'll be much more likely to not only retain them, but to keep them motivated too! Otherwise a lot of money and time can be wasted hiring and training new hires.



## Beware the friendly salesperson!

Once you open your small business, you are instantly going to be a prime target for every salesperson within calling range. New business owners often have a hard time saying "No," until they get burned buying something they don't need. Salespeople are not there to help you! They are there to separate you from your cash! Chances are that when you are starting or running a small business, you need your cash a lot more than you need what they are selling.



## Worship your customers, but don't give away the store!

It is important to create good products and run an efficient business, but you also need to be responsive to the needs of customers—even when doing so may sometimes require changing the way you are currently doing business. Listen to your customers' comments, and do what you can to give them what they want. But don't give away the store! Be sure that at least over a period of time, you are realizing a good profit with every customer, no matter how much they spend!

## Have fun!

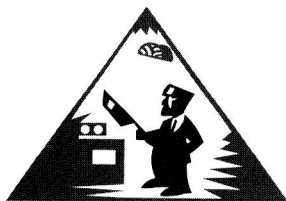
Just because many other businesses are boring, stale, routine places to work doesn't mean that your business has to be too! Make work fun, exciting, and challenging for your employees, and you'll find that in addition to happier people you'll have less turnover and higher productivity. Besides—you just might have a little more fun too!

# Ideas for New Businesses

## Retail

Don't be tempted to start a retail store just because you find a cute, affordable space. Location means everything in retail and a good location usually costs a lot of money. In fact, a super location, good signage, and an attractive storefront may be all the marketing you need.

- Computers
- Office supplies
- Software
- Luggage
- Maps
- Rare books
- Flowers
- Candles
- Jewelry
- Pets
- Appliances
- Ice cream
- Wine
- Baked goods
- Auto parts
- Coffee and tea
- Children's clothes
- Paper goods
- Sporting goods
- Medical equipment



## Secondhand stores

A secondhand store can provide a reasonable income with minimal investment and minimal risk. Buy used items cheap enough so you can mark them up at least 100 percent. If you are considering selling expensive items like cars, consider selling on consignment—never actually taking ownership of the items, but displaying and selling them for a hefty cut of the sales price.



- Cars
- Furniture
- Office equipment
- Computers
- Books
- Boats
- Antiques
- Industrial equipment
- Auto parts
- Formal dresses
- Baby clothes
- Medical equipment
- Televisions
- Musical instruments
- Electronic games
- Auto parts
- Phone systems
- Sports equipment
- CDs
- Lawn care equipment

# Ideas for New Businesses

## Services

Service businesses offer a lot of advantages, especially for start-ups. They tend to be local and you usually don't have to compete with as many heavily financed national or international corporations as you might in a retail, wholesale, or manufacturing business. Service businesses also require less capital. You don't need to finance a large inventory or work-in-progress, and customers can usually be asked to pay immediately upon completion of the work.

- Blade sharpening
- Manicuring
- Athletic recruiting
- Funeral home
- Mobile disc jockey
- Hot-air balloon rides
- Tour packaging
- Portrait photography
- Temporary employment
- Resume service
- Telemarketing
- Window washing
- Chimney sweeping
- Carpet cleaning
- Lawn care service
- Bungee jumping instruction
- Wake-up service
- Dance instruction
- Trophy engraving
- Monogramming service



## Restaurants

Restaurants have a high failure rate. Steady, loyal patronage may take years to build up. Owners of successful restaurants usually have extensive restaurant experience, work endless hours, and either rely on their large, close-knit families for assistance or have a knack for attracting, retaining, and motivating good kitchen and service staff.

- Deli
- Food service
- Espresso bar
- Seafood
- Gourmet ice cream
- Family style
- Steak house
- Sushi
- Mexican
- Sports bar
- Chinese
- Vegetarian
- Bagel
- Indian
- Thai
- Greek
- Italian
- Catering
- Pizza
- Pushcart

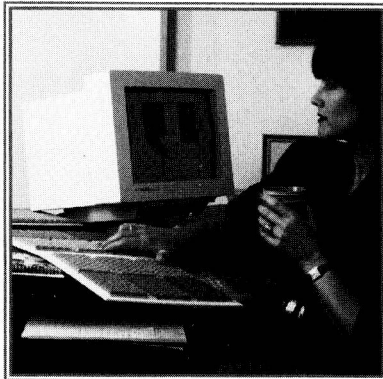


# Ideas for New Businesses

## Consultancies

A consultancy is a great opportunity if you have many years of in-depth and specialized expertise that is in high demand. Those consultants who tend to be more successful are those who are in the later stages of their careers, have developed a rich network of contacts and references in their industry, and don't mind working alone.

- *Meteorological*
- *Engineering*
- *Customs*
- *Noise control*
- *Government controls*
- *Disability*
- *Child development*
- *Wellness*
- *Gerontology*
- *Forensics*
- *Medical management*
- *Nutrition*
- *Food manufacturing*
- *Gardening*
- *College*
- *Relocation*
- *Marketing*
- *Small business*
- *Employee benefits*
- *Database*



## Rentals

Rentals are not as easy a way to make money as you might think.

On the income side, the typically modest rental fees don't seem to amount to much. On the expense side, you've got marketing costs,

repair and maintenance costs, expensive liability insurance, and theft costs. One positive note—periodic sales of rental items might net more than you paid for them new!



- *Automobiles*
- *Televisions*
- *Furniture*
- *Office equipment*
- *Carpeting*
- *Lock boxes*
- *Storage facilities*
- *Party equipment*
- *Vacation homes*
- *Bicycles*
- *Musical instruments*
- *AV equipment*
- *Computers*
- *Videotapes*
- *Copy machines*
- *Outdoor furniture*
- *Tuxedos*
- *Limousines*
- *Carpet cleaners*
- *Arcade games*



# Ideas for New Businesses

## Wholesale

If you're thinking about opening a wholesale business, think twice! While it's easy and quick to reach a high level of sales, you'll find it difficult to make money and keep afloat. Most wholesalers operate on very thin profit margins that are possible only because of highly sophisticated computer systems and extremely efficient warehouse and selling systems, tight credit and collections control, and most of all, a large volume of sales over which to spread overhead.

- *Industrial supplies*
- *Textiles*
- *Retail equipment*
- *Food items*
- *Herbal products*
- *Restaurant equipment*
- *Footwear*
- *Luggage*
- *Sports equipment*
- *Vending machines*
- *Computers*
- *Appliances*
- *Educational software*
- *Coffee*
- *Carpets*
- *Clothing*
- *Office supplies*
- *Books*
- *Tapes*
- *Flowers*



## Advertising

Publishing a magazine, newspaper, or other vehicle to sell advertising space is very tempting because the profit margins can be very high. But, no matter how good your product, advertising never sells itself. Save up a lot of energy, and a lot of money for paying good salespeople.



- *Classified ads*
- *Handbills*
- *Magazines*
- *Videotext*
- *Drive-by broadcasting*
- *Hotel information systems*
- *Mall kiosks*
- *Taxis*
- *Public transportation*
- *Subway systems*
- *Radio*
- *Broadcast television*
- *Cable television*
- *Yellow pages*
- *Card decks*
- *Giveaways*
- *Billboards*
- *Trade show handouts*
- *Pens*
- *Stickers*