



## **10 Mistakes to Avoid When Starting a Business**

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*Many mistakes that people make are predictable. To help you to avoid making them, I have compiled a list of ten common mistakes you can make when starting a business.*

Time and time again, people make the same stupid mistakes when buying a business. They fall into the same traps that have victimized others before them. You'd think people would learn!

NOW HOLD ON! That's not fair! Let's just wait a minute, and remember that most people are starting their very first business, so they simply don't know what they don't know.

However, some mistakes can be avoided simply by being aware of them. You may have already heard that the two biggest killers of startup businesses are under-capitalization and lack of experience. Sadly, experience and wisdom is often something we acquire by making mistakes. So it can be a vicious circle. We all learn by making mistakes. However, if a mistake is a large one, it can be fatal, and we won't get another chance to make good.

Many mistakes that people make are predictable. To help you to avoid making them, I have compiled a list of ten common mistakes you can make when going into business.

### **1. DON'T overextend financially when buying a franchise.**

Never, never invest in a business that you can't afford – it is the number one reason that businesses fail. They simply run out of cash to operate and advertise before they have enough customers and cash flow to support the business. If you run out of money in your business, it's like being in first place at the Indianapolis 500 and running out of gas after 499 miles. No matter how well you were doing up until that point, if you can't cross the finish line, you lose!

### **2. DON'T start to look until you have an idea of what you're looking for.**

Would you open a closet and stare into it without having any idea of why you were looking there? Would you look for your shirt, when what you need are shoes? Of course not! Yet many people look at businesses without first determining what they are seeking. Some people assume that all good businesses are good for all buyers. That's preposterous! Your skills, goals, values, and ambitions will all play a role in determining the best business for you. If you use a little self-analyzation, you will have a greater likelihood of successfully finding the right business for you.

### **3. DON'T assume that starting a business is easy.**

While it's true that sometimes people get lucky and their businesses are smash hits with

seemingly no effort, that kind of success is relatively rare. You should plan on exactly the opposite for the business you start. Assume you will have to work longer and harder than others in the same business just to make it work. If you're not willing to do that, walk away.

When you're planning, be conservative. If there are going to be surprises, let them be pleasant ones. If you know in your heart that you can do what it takes to make a business succeed no matter how challenging it is, then you are well on your way towards success. If you're basing your chances for success on being among the operators who were pleasantly surprised by the effortless success of their businesses, you will often have exactly the opposite result.

#### **4. DON'T try to go it alone. Use Experts.**

Lack of experience is often cited as one of the two biggest killers of start up businesses. Certainly your franchisor will help you by sharing their experience with you, but use the experience of other experts, too.

Sometimes we don't seek expert advice because we simply don't want to hear anything that does not agree with our hopes. That's a big mistake. If something is really wrong, it is better to find out before you're already deeply invested both financially and emotionally. On the other hand, if something is wrong, it may be easy to fix if found early, so the advice you get could definitely be the perfect "ounce of prevention".

Be sure to consult with financial experts, franchise consultants, and perhaps most importantly, a franchise attorney. We know that you like to avoid spending money that you feel you can save, but having an attorney who is knowledgeable about franchising review your offering before you buy could be a lifesaver. Think of it as insurance to help protect you against some predictable disasters!

#### **5. DON'T forget about a business plan.**

It's a bit like your mom telling you to dress warmly before you go out in the cold. You've heard it all before, but it's sound advice none the less. Before you plunge into a business, in addition to investigating the franchise you are buying, also study both the local market in which you'll operating and the industry that you are contemplating joining

The franchisor, and also other franchisees, can often tell you a lot about the national and local market and the trends in the industry. Don't stop there. Talk to the Chamber of Commerce, check out the internet, and do research through the industry reference books at the library. Investigate thoroughly. Then put together your business plan. If you are not impressed with it, don't do it!

#### **6. DON'T pick a business because "there are so many of them, they must be good."**

When buying a business, feeling safe is a strong and undeniable urge. When you look at

an already popular franchise, your safety level instinctively is high. You can see how easy it appears to operate, and you know that your skills could easily accomplish the necessary tasks. Right?

Not necessarily! Sometimes too many good things can mean that competition is so fierce that the market is saturated and that there is little or no room for new operators.

Additionally, just because you know how to do something doesn't mean you'll LIKE it! If you have a basic need for variety or for constant challenge, you may find that repetitive tasks, which are required in many businesses, would actually bore you to tears.

Also, be sure to remember that the number of franchises in an area is no automatic indication of their financial potential. Some of the best franchises only allow one or two franchisees in an entire city, while others have dozens in a single marketplace.

## **7. DON'T skip talking with the other franchisees.**

What do they know? Everything! People who are in a business that you find attractive are the best source of information that you'll ever find.

But watch out – sometimes there may be a hidden agenda. If you wander into a dry cleaner, tell him you are thinking of going into dry cleaning, and ask his opinion, what value are you going to put on the response? Do you think he will give you an honest answer if he thinks you may be planning on opening a competitive outlet just down the street?

On the other hand, when you have done your homework with a franchisor, have read the offering circular, and are calling franchisees all over the United States, you'll get valuable information that you can check out with others to see if it rings true throughout the franchise system.

It's important to find the people who are doing well in a franchise as well as to find people who are struggling. Which one are you most like? Do your skills match the winner? Or are there tasks that must be done in the business that you are unwilling or unable to do? If you hate cold calls and the business requires talking with every merchant in your territory, PASS.

If your goal is to find a business that you will enjoy, then get the real facts from the people in the know – the franchisees.

## **8. Don't put it on your credit card.**

Wow. At 18.9% interest (or whatever the current rate), you better pray that the cash flow starts very quickly! Chances are very strong that it won't. Most reputable franchisors would strongly discourage you from using this kind of financing if they feel it could impact your ability to succeed. Unfortunately, outfits that may not care if you survive

may encourage you to buy now (and cry later) no matter what you must do to pay for it.

Reputable franchisors want you to succeed – that’s how they make their money. A franchisor charges a royalty, which is a percentage of your gross sales. In return, they give you service and support. If you don’t make money, they don’t make money, and they still are obligated to serve you. So if they don’t think you can make it, they have many reasons to be frank with you.

### **9. DON’T pick the business your dad (or spouse) likes best.**

Each person in the world has different skills, needs, and desires. Why would your dad or your neighbor or your spouse like the same businesses that you do?

When you look at a business, you need to think about how it matches with the things that you truly want to do and whether it will fulfill your goals.

You need to analyze what is important to you – Independence? Money? Freedom? Flexibility? Growth? Challenge? Variety? People?

Each business can fulfill different types of needs. If you want freedom and flexibility of hours, then food and some other types of retail may be too demanding of your time – perhaps a service business where you can book your own appointments would be better for you. On the other hand, if you want high visibility, then perhaps retail would be perfect.

If your wife would love a flower shop, and you really want a transmission shop, are you better off compromising and buying a different franchise altogether so that you can both work together?

It depends! It’s important for one or the other of you to buy exactly what you love and are great at doing. If the other one can pitch in and help – great! If not, then they should work for someone else and give you staunch support and cash flow -- it will be better than having a business that neither one of you cares much about.

### **10. DON’T fall in love with the product.**

If you like new age crystals and aromatherapy or sporting gear, or bikes, candles, hubcaps, flowers, or low-fat yogurt, you are ripe for the picking! When you enjoy a certain type of product, naturally you’d like to be around it, but RETAIL IS RETAIL, so make sure you can do the things needed to make the business successful. It takes a certain personality type to do the things that retail demands: BE THERE...hour after hour, day after day, being nice to your customers, making change, and keeping track of the inventory.

It takes someone who loves schmoozing with everyone and being of service to others. It takes a team-builder to keep good employees.

Sure, you love those auto parts! But in the end, what you are doing with them is not putting them on your classic car – you're standing behind a counter selling them, putting them onto shelves, dusting them, and inventorying them.

When you pick a business, check out what you would be doing all day every day. Your dream, of course, will be to have other people pour the frozen smoothies or ring up the oil filters, but most young businesses will demand that you work there for at least the first few months to get the cash flow going. Can you take it, or will you find out that the true love that you felt for the product was only a short-lived lust, and soon gone when you had to be there for the day-to-day grind?

Many of us dream of being our own boss someday, and we know that it's impossible to take all the risk out of going into business for ourselves. Avoiding as many mistakes as possible can certainly help us move the odds into our favor.

So, if we are to have our dreams fulfilled, we should approach the opportunity of owning our own business with our eyes open, and with the strength of knowledge and planning -- this is the formula for becoming a successful business owner!

For more information, please visit [www.IdealFranchiseConsultants.com](http://www.IdealFranchiseConsultants.com) or send an email to Greg Taylor at [gtaylor@IdealFranchiseConsultants.com](mailto:gtaylor@IdealFranchiseConsultants.com). For a no cost initial consultation, please fill out the "Request Information" form at [www.IdealFranchiseConsultants.com](http://www.IdealFranchiseConsultants.com) and we will contact you within one business day.

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