Kick start your new business

Three startup behaviors to launch your company

An innovative product or a burning desire to work for yourself may energize a business launch, but it is rarely enough to produce a successful startup. According to the U.S. Small Business Administration, three-quarters of startup businesses manage to survive at least one year. Survival rates drop to 50 percent after five years and 33 percent after 10 years of operation. Startup business owners often underestimate the intense challenges of starting and building a business. Owners need to step into new businesses with plans prepared to overcome obstacles and beat the startup odds.

SunTrust surveyed 532 small business owners in 2018 and found that new businesses generally understand the most important action steps to establish a healthy startup. But, they either fail to follow those steps or find them too challenging. In their push to get moving, owners attack tasks that can get checked off the list and avoid others with greater impact. Startup owners stay busy, just not always on the right tasks.

The fast-track to startup success begins with lessons from peers about what they would do differently if starting again and how to avoid startup obstacles.

Starting a Small Business by the Numbers

<table>
<thead>
<tr>
<th>Reasons for Starting a Business</th>
<th>% of small business owners citing this reason*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wanted to work for themselves</td>
<td>65%</td>
</tr>
<tr>
<td>Had a new idea</td>
<td>35%</td>
</tr>
<tr>
<td>Unhappy with current job</td>
<td>31%</td>
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<tr>
<td>Created a new product</td>
<td>27%</td>
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</table>

Most Challenging Startup Actions

1. Developing a business plan
2. Managing finances
3. Funding the business

Top Obstacles

<table>
<thead>
<tr>
<th>% small business owners experiencing this obstacle in the first year*</th>
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<tbody>
<tr>
<td>Marketing</td>
</tr>
<tr>
<td>Reducing expenses</td>
</tr>
<tr>
<td>Financing</td>
</tr>
<tr>
<td>Time management</td>
</tr>
</tbody>
</table>

*Multiple responses allowed
Fast-track your business’s startup

Businesses are often most fragile as they try to get off the ground, searching for revenue, burdened with expenses and struggling to get beyond startup administrative tasks.

Owners should follow the three startup lessons that can boost them during launch:

1. Gather the “I wish I had just...” lessons from peers
2. Target the startup obstacles
3. Ramp up staffing to get the help you need

1. Gather the “I wish I had just...” lessons from peers

Getting your new business going requires completing many tasks. An entrepreneur’s “to do” list includes setting up company legal structure, selecting a location, hiring staff and providing funds for operations. These steps naturally rise to the top of the list since business doesn’t start until they are done. It’s the next set of tasks that may seem obvious but are not optional.

Top Areas of Focus to “Do-over”

% of business owners citing top area of focus if starting a business again*:

- 51% Marketing/ advertising/ PR
- 41% Strategic planning/ business plan
- 40% Sales

*Multiple responses allowed

Owners with five years of experience say they would put marketing/advertising, strategic planning and sales at the top of the list if they were to start over again. Startup owners are in a race to see if they can ramp up sales faster than costs and expenses. The trick is to look for those actions that can have the greatest impact on sales and build customers during those crucial early days. Being laser-focused on prospect outreach, market identification and sales channels (retail, sales force, distributors, partners, etc.) will help grow revenue faster.

A strategic business plan creates a roadmap to business growth and prosperity. It is the platform for your strategies and next steps as you grow. Not only will a business plan provide direction, it can also help you obtain funds to support the business. High-growth companies were far more likely to recognize the importance of a business plan to obtaining funding.*

*Multiple responses allowed
2. Target startup obstacles

There is no shortage of tasks during the first year of business. Ignoring the most important ones can slow growth and weaken your business. Many owners can be caught by surprise when startup actions that appear simple turn out to be quite complicated. Almost half of startup owners found developing a business plan, setting up financial software and funding a business to be the most challenging tasks.

Identify obstacles early and address them with simple solutions to improve your company’s odds for success.

**Obstacle: Getting effective marketing started**

The top challenge for successful startup companies is getting sales exposure. Not only is marketing identified as the top obstacle for new business owners during their first year of operation, but it is also the number one area owners would put more energy on if they started over.

**Solution/Action Steps:**

- Develop a basic marketing plan for your first year that includes:
  - Identify your target market. Who will be most likely to purchase your product/service and where do they reside?
  - Develop plans to reach those specific markets through traditional marketing and social media. Don’t underestimate the value of basic word-of-mouth exposure and referrals.
  - Budget wisely. Consider email communications, marketing partnerships and social networking options that are inexpensive and easy to manage.

**Obstacle: Locking down expenses**

Nearly half of young businesses identify holding down costs as their second most challenging task. Minimizing expenses can be hard with any business, but cost management is crucial for startup businesses lacking the resources to fund unchecked expenses.

**Solution/Action Steps:**

- Create a budget. One-third of startup business owners do not create budgets. That leaves them unprepared to allocate funding effectively. Developing a budget from day one allows you to link budget and business plan and stay focused on priorities. Budget guardrails are critical during startup when you are busy, and cash-on-hand can’t absorb cost overruns.
  - Use credit or purchasing cards for expenses. Business credit cards offer tools to easily identify costs and manage employee spending limits and track usage. Online account access provides greater visibility into daily spending. Some cards offer reward points or cash back on certain transactions.

**Obstacle: Adequate funding to ramp up your business**

Most startups draw personal funds for startup, and one-third of businesses use funds from family and friends. It is rare to find bank funding up front. External financing from banks or business development centers often requires owners to have business experience along with credit and assets available for collateral. Investors in early-stage companies often seek out business owners with a proven track record. Lack of owner business experience is the number one obstacle to obtaining initial funding.

**Initial Business Funding**

<table>
<thead>
<tr>
<th>% of business owners using this source of funds*</th>
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<tbody>
<tr>
<td>Personal savings</td>
<td>81%</td>
</tr>
<tr>
<td>Family and/or friends</td>
<td>31%</td>
</tr>
<tr>
<td>Personal assets</td>
<td>19%</td>
</tr>
<tr>
<td>External financing</td>
<td>14%</td>
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*Multiple responses allowed
Solution/Action Steps

- Explore the best sources of funding. Startup funds can come from a variety of sources - your own resources, the Small Business Administration (SBA), financial institutions/business development centers or other successful business owners. Consult with your advisors, like your CPA or attorney, to determine a prudent commitment of personal funds and select the best investment structure.

- Separate business and personal finances. Keeping finances separate makes bookkeeping simpler and allows you to monitor business spending and cash flow. It will protect your family’s funds and keep them in reserve.

- Develop a business plan. Create a roadmap, define goals and projections, identify your target markets and put together an initial launch budget. Documenting your plans, as well as any personal or business background, will create a more compelling case for investors.

Obstacle: Using time wisely

Time is your most precious resource. Time management allows you to prioritize important profit-generating tasks and defer housekeeping chores. Forty-six percent of startup owners found that competing demands made time management a top challenge.

Solution/Action Steps:

- Focus founders on sales. Most startups need to ramp up sales quickly and owners are their most effective sales people, generating over 40 percent of a business’s sales. Staying focused on sales and the most critical startup activities boosts your business’s chances of success.

- Set up financial software. Financial software can connect to your bank accounts to automate financial activities and reporting. You can easily record income and expenses, track receivables, pay bills and manage inventory. Sixty-one percent of startup businesses used financial software to save time, reduce errors and streamline finances.

- Use online and mobile banking. Three-quarters of startup owners use online banking while half of owners use mobile banking. Online services offer instant access to your bank accounts with better cash visibility and spending tracking.

Top Benefits of Using Financial Software

% of business owners using financial software and citing this benefit.

<table>
<thead>
<tr>
<th>Benefit</th>
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<tbody>
<tr>
<td>Saves time</td>
<td>69%</td>
</tr>
<tr>
<td>Reduces errors</td>
<td>57%</td>
</tr>
<tr>
<td>Connects to bank to streamline finances</td>
<td>35%</td>
</tr>
<tr>
<td>Speeds up customer billing and payments</td>
<td>35%</td>
</tr>
<tr>
<td>Automates manual duties</td>
<td>34%</td>
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*Multiple responses allowed
3. Ramp up staffing to get the help you need

No topic illustrates that “startups are hard” better than staffing. Funds are tight. You don’t know the market’s reaction to your new product or service. You may not be sure of the best ways to deliver it. Your plate is full of startup tasks. Recruiting takes time and patience.

Owners found staffing from a variety of sources in the first year. Most (64 percent) used both full- and part-time employees. The balance came from a mix of contractors, consultants and interns.

The fastest-growing companies staffed up aggressively. High-growth companies were twice as likely to add full-time employees (usually 10 or more) and were far more likely to use contractors in the first year.

Recruiting strategies can make a big difference to busy startup owners in a tight labor market. Competitive salaries are a requirement, but the opportunity and energizing culture of a startup are attractors as well. High-growth businesses are much more likely to emphasize the financial opportunity of a startup, competitive health benefits, retirement plans and paid vacation in their recruiting.

Top Recruiting Strategies

1. Competitive salaries
2. Financial opportunity with a startup
3. Fit with company culture

Staffing Sources

% of business owners using each staffing source during the first year:

- Full-time: 39%
- Part-time: 12%
- Consultants: 14%
- Interns: 10%
- Contractors: 25%

Get your new business off to a successful start

Address startup challenges and put your business on the path to growth and longevity.

Kick start your new business.

- Drop by your SunTrust branch
- Call us at 800.752.2515
- Visit suntrust.com/bizbestpractices

2 SunTrust conducted research with 532 small business owners ranging from $100,000 to $2,000,000 in annual revenue during the first quarter of 2018.
3 High-growth companies are the 20 percent of companies surveyed who experienced the greatest revenue growth.
4 SunTrust conducted research with 397 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2017.