Research into Entrepreneurship and How-To Kit for Starting a Business

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And

How-To Kit for Starting a Business

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Introduction

Many people desire to start-up and own a business. Entrepreneurship is inherent in the American Dream. People consider that given the right, through hard work, determination, and innovation, financial security is possible.

This project is a combination of research on the topic of entrepreneurship, a how-to kit for starting a business, case studies of successful entrepreneurs, and a personal beginning to starting a clothing boutique business. Therefore, this is an in-depth look at entrepreneurship as well as some of the guidelines for starting a business. This research paper is designed to give a prospective entrepreneur the information, research, and tools necessary to ignite passion and inspire dreams to become a reality.
Research into Entrepreneurship

History of Entrepreneurship

One of the earliest definitions of entrepreneurship came in 1934 from economist Joseph Schumpeter. This definition asserts that “entrepreneurship is the finding and promoting of new combinations of productive factors.” With this definition, entrepreneurship has existed since the beginning of humankind when the first beings made “simple stone, bone and wooden tools to hunt and fish” (Kao, 30).

Similarly, business and management are “as old as human history.” The essence of the business process involves “the exchange of goods and the development and processing of resources.” This process which has remained the same for thousands of years relies on entrepreneurship as a cornerstone (Shane, 1).

Furthermore, the human entrepreneurial desire to create and invent has existed for thousands of years. Based on history, many argue that entrepreneurship is in the essence of every human being as humans “are born into entrepreneurship”; thus, humans inherently wish to take that which is available and recombine it into something new to satisfy human needs and wants (Kao, 30). This value creation process is at the heart of entrepreneurship; therefore, as long as human needs and wants continue to change, entrepreneurship will remain.

Entrepreneurship in the Present

Currently, large numbers of people across the world take part in entrepreneurial activity. The number of entrepreneurs has been steadily increasing; between 1995 and 2003, “self-employment increased by 8.2 percent, or 1.1 million, to a total of 15 million self-employed people.” Women accounted for half of the increase; their percentage of
self-employment was “up from 33.1 to 34.2 percent” (The Small Business Economy, 145). It is estimated that every year approximately 1 million people or about 4 percent of the labor force engage in founding a firm in the United States. In a given year, this number is greater than the amount of people “having children or getting married.” It is estimated that these new firm births make up “one quarter of gross job growth in the United States” (Shane, 1).

Therefore, entrepreneurship is thriving, and it does not appear that the trend will wane in the future. It has been estimated that “more than 90% of young Americans wish to have their own business” (Kao, 67). The desire for ownership is “deeply embedded in American culture,” and is a fundamental force that motivates human behavior. As a result, many individuals inherently seek entrepreneurial opportunities.

**Entrepreneurism Emerges**

Recently, academics have tried to explain this innate human aspiration to achieve ownership through innovation. Thus, entrepreneurism has emerged as the ideology that through entrepreneurial application, it is possible for an individual to create wealth for themselves and add value to society (Kao, 5). Entrepreneurism as a word and idea are relatively new; yet, academics often use it in place of entrepreneurship, or associate it with the formation of a new venture (Kao, 17).

Entrepreneurism attempts to explain human behavior. It implies that humans are driven to adhere to a “system of principles, including: the need to create and innovate, the desire for ownership, and the need to make proprietary decisions for self-interest and the common good” (Kao, 17). Moreover, entrepreneurism is more than just starting a new venture; it is an approach to life. Similarly, this desire sparks a value creation process
that not only impacts the entrepreneur, but also the economy and society as a whole (Kao, 17). This phenomenon has hardly been explained by research, but there are many ideas as to why and how an entrepreneur seeks entrepreneurial opportunities and how this affects changes the way in which people live.

**The Phenomenon of Entrepreneurship**

Since the Industrial Revolution, significant changes in the way that people live can be partially explained by entrepreneurial innovations. The work of entrepreneurs promotes human and technical progress and as result influences human endeavors. Thus, innovative entrepreneurs have the potential to make vast contributions to the “growth of the economy and the welfare of society” as well as to themselves (The Small Business Economy, 204).

Inventive entrepreneurs as a group perform a crucial task for the future of the economy when they decide where to expend resources in the hunt for radical breakthroughs. This job is one that others shy away from because of the great uncertainties involved. Research indicates that payouts for entrepreneurs are not normally equivalent to the enormous value that inventions bring to the economy; there is systematic evidence that “the average earnings of self-employed individuals are significantly lower than those of employees with similar qualifications, and the same is presumably true, in particular, of self-employed innovative entrepreneurs” (The Small Business Economy, 193). For example, a study reports “on the basis of a sample of 1,091 inventions” that among those “only between 7 and 9 percent” reached the market, and of the 75 inventions that made it, “six received returns above 1400 percent, 60 percent obtained negative returns and the median was negative.” Similarly, another study
indicates that innovators are only able to capture a small amount of the total payment for the invention; based on data from the United States non-farm business sector, it is estimated that innovators only received about “2.2 percent of the total surplus from innovation” (The Small Business Economy, 193).

A striking example is that of “open sourcing and shareware in computer programming.” This intricate body of valuable material has been meticulously created, and it has brought enormous economic and other value to society. Yet, it has been produced and offered to others with modest, if any, restrictions and without financial rewards for the inventors (The Small Business Economy, 193). Furthermore, it is obvious that important and noteworthy activities can be “produced with zero financial reward, a payoff evidently far below what the work could have elicited if performed inside an established business enterprise.” However, the passion of those involved is equally apparent; therefore, an entrepreneur “may indeed be underpaid in terms of financial reward alone,” but as economic theory would suggest, the total payoff may take another form (The Small Business Economy, 193).

*Dreams of Fame and Wealth*

It is arguable that entrepreneurs are not irrational because they receive adequate reimbursement through the psychic rewards which may come from the immediate consequences of entrepreneurship. These include esteem and the thrill of seeking rare but significant financial rewards (The Small Business Economy, 191). An innovator seeks superstar status; “but the prize is available only to those who provide breakthrough innovations.” For example, a technological contribution that allows “humanity to fly or to send messages through the air can elicit headlines, but a minor improvement in
automobile door handles is hardly likely to compete.” Therefore, the quest to invent a notable product is very attractive to the independent entrepreneur (The Small Business Economy, 192). Nevertheless, the idea and potential for glory, wealth, and fame, are something of value “even if they never materialize” because dreams and the “contemplation of imagined success” are part of the psychic rewards. There is a certain fascination with the biographies of great inventors based on the allure of their work that is marked “by the moments of triumph” when an entrepreneur overcomes frustration and exhaustion to solve a problem (The Small Business Economy, 193).

No Background Check Necessary

It is not required to have a certain background to become a successful entrepreneur; thus, entrepreneurship is accessible and appealing to the masses because it provides the promise of an escape from poverty and the low barriers to entry. Entrepreneurial activity is a channel by which to escape from poverty for many reasons. First, it does not require consent from an employer, but merely individual determination. Also, many opportunities require “very little sunk capital,” and many an entrepreneurs have started with very little. In addition, its education requirement is nearly zero.

Obviously a successful entrepreneur needs to be intelligent and clever, but the many great success stories are populated by school dropouts and avoiders of advanced education.” For example, both Thomas Edison and the Wright brothers, “inventors and entrepreneurs, dropped out of school early before reaching high school. In another example, Bill Gates, a Harvard dropout, went on to establish a multi-billion dollar company. There are many other examples of successful entrepreneurs that illustrate that advanced education is not “an inescapable job requirement or indispensable for good
performance as an entrepreneur.” However, it is important to note that this is not to say that everyone can escape poverty or succeed without an education because it has been proven that part of the reason for poverty in society is a lack of formal education (The Small Business Economy, 203).

Nevertheless, entrepreneurs are not necessarily the richest and smartest people in the world. Often times an entrepreneur utilizes simple tools to provide useful services to others and in turn make a living for themselves and their families. For example, in India, “it is not unusual to see a man with a small box containing a number of strings and a small stock of beads, from which he will make some simple jewelry. He combines a manufacturing and marketing business all in one spot and provides a living not only for himself, but his family as well” (Kao, 205). This example may not be impressive for those who regard university degrees as an indicator of status and success. Yet, it is apparent in the phenomenon of the entrepreneur that education is not what is important; instead, it is that the entrepreneur sought an opportunity where others did not even know that one even existed.

There is no single factor that can determine how a person will react to an opportunity; “the domains of psychology, sociology and economics all seem to provide insight into a piece of the puzzle, but none seem to explain the phenomenon completely” (Shane, 10). Furthermore, entrepreneurship is a phenomenon that exists around the world, and evidence demonstrates that entrepreneurial contributions are not slackening. Simply put, people are able to recombine resources and create new processes, services, and products utilizing a strong will and technology to do so. Thus, opportunities abound for individuals to become entrepreneurs; “therefore, entrepreneurship cannot be only a
fixed attribute of certain people, but rather must involve their reaction to the existence of opportunities for profit” (Shane, 7).

**Entrepreneurial Opportunity**

Michael Dell, founder of Dell Computers, believes that “opportunity is part instinct and part immersion – in an industry, a subject, or an area of expertise.” It is possible for people to “learn to recognize and take advantage of opportunities that others are convinced don’t exist. You don’t have to be a genius, or a visionary, or even a college graduate to think unconventionally. You just need a framework and a dream” (Dell with Freedman, 15).

Nevertheless, there must be some factors that cause certain human beings to seek and take advantage of opportunities that others may overlook or fail to seize. Research has concluded that “there are some individuals who seek venture creation opportunities” (Kao, 204). So, why do some individuals recognize and take advantage of opportunities while others do not?

**Macro-environmental Factors**

Entrepreneurial opportunities emerge from macro-environmental changes in areas such as: technology, political and regulatory changes, and demographic and social changes. Technological advances make it possible to do things more efficiently; therefore, it is an “important source of entrepreneurial opportunity because it makes it possible for people to use resources in more productive ways” (Shane, 25). An entrepreneur can reap the rewards of these changes by using technological changes to create more effective and efficient products. Similarly, technology in the form of the Internet has rapidly changed the face of business. Products can now be sold online and
buyers can compare products with the click of a button. Therefore, technological change creates a vastly expanding array of entrepreneurial opportunities.

In addition, "political and regulatory changes are also an important source of entrepreneurial opportunity" (Shane, 25). These changes may make it easier for start-ups to receive financing as well as government aid and protection. However, political and regulatory changes have also proven to be sources of opportunity that do not improve the performance of new ventures. They can impede ease of start-up as well as operations of a business; therefore, they do not always create entrepreneurial opportunities.

Other factors in determining entrepreneurial opportunity are social and demographic changes. These factors "transfer information about ways for people to allocate resources in different and potentially more productive ways. "They create the potential scale economies that are necessary for certain opportunities to exist," and they "generate additional demand." An important social-demographic factor that has influenced entrepreneurial opportunities is urbanization.

Urbanization has a positive impact on new venture start-up and performance for several reasons. First, it makes possible economies of scale that "do not exist in non-urbanized areas." Opportunities in urbanized areas are more valuable than other opportunities because "given the fixed cost of opportunity exploitation that results from the basic organizing process, opportunities that can be exploited at a larger scale are more profitable than other opportunities." Second, in urbanized areas there is more communication about opportunities, and there is a greater frequency of role models. Furthermore, urbanization means "the chance to examine and select from a larger pool of
potential opportunities.” This typically causes entrepreneurs in urban areas to choose better opportunities, and as a result, have better outcomes (Shane, 30).

Therefore, macro-environmental factors make entrepreneurial opportunities possible. However, whether or not individuals choose to exploit opportunities depends on a variety of socio-economic and individual factors.

**Socio-Economic Factors**

From a sociological perspective, it is arguable that because certain segments of the population have better access to resources and skills, they are more likely to exploit opportunities. Thus, while every individual has the ability to become an entrepreneur because of a lack of resources and skills, opportunities are often fewer and less likely to be capitalized on by certain segments of the population. As a result, there are some disparities between the rates of entrepreneurships throughout the population. Some of the factors that influence the probability that “people will gain early access to information valuable for recognizing opportunities” include: wealth, education level, social status, and minority status (Shane, 60).

For example, “people who have higher incomes are less likely to exploit opportunities and people who are unemployed are more likely to exploit them.” This is because “as the gap between expected utility of exploiting opportunities and alternative uses of individual’s time increases,” there is a “lower opportunity cost to alternative uses to their time.” This gap also increases as “people have information and skills that make them better able to exploit opportunities.” One way in which a person’s accumulation of information and skills increases is through education. Research indicates that education is a major factor in business ownership; therefore, lack of education for an entrepreneur is
often a “handicap that cannot be overcome.” Therefore, it is easier and more likely for more-educated people to utilize opportunities than less-educated people (Shane, 94). But as proven in earlier discussion, lack of education certainly “does not close the door to exercise” entrepreneurship (The Small Business Economy, 204).

Other factors such as previous experiences including personal career experience and parental entrepreneurial experience also enhance the possibility that “a person will exploit an entrepreneurial opportunity because some of the information and skills useful for the exploitation of entrepreneurial opportunity can be learned through observation of others” (Shane, 95). Another factor is social status which “makes it easier for a person to convince others that the opportunity that they have identified is valuable, despite the uncertainty and information asymmetry resent with such opportunities” (Shane, 95).

Minority Entrepreneurship

Minority groups often lack necessary skills and resources to exploit entrepreneurial opportunities. In the United States, it is often difficult for minority groups to find the necessary resources and opportunities. For example, differences among self-employment rates between African-American and Latino compared with White and Asian business owners demonstrate significant disparities; estimates from the 2000 Census indicate “that 11.8 percent of White workers and 10.9 percent of Asian workers are self-employed business owners, whereas only 4.8 percent of Black workers and 7.2 percent of Latino workers are business owners. Furthermore, African-American/White differences in business ownership rates have remained roughly constant over most of the twentieth century” (The Small Business Economy, 35). In contrast to the rates for males which remained fairly constant over the last two decades, female self-
employment rates generally increased. For African-American women and Latinas, self-employment rates increased rather steadily over the past two decades, and for Asian women, the rates remained more or less constant (The Small Business Economy, 35).

Therefore, it is not impossible for minority individuals to become entrepreneurs. Some suggest that these racial disparities can be explained by different preferences among racial and ethnic groups for self-employment. However, research indicates that minorities are just as and in some cases, more interested in entrepreneurship as other groups. For example, “more than 75 percent of young African Americans report being interested in starting their own business” as compared to “63 percent of young Whites” (The Small Business Economy, 46). Therefore, preferences for self-employment do not explain racial disparities in entrepreneurship, and it is likely that as overall entrepreneurship increases, minority entrepreneurship will rise also.

*Individual Factors*

Some individual factors which relate to frequency of entrepreneurship are relationship status and age. “Being married and having a working spouse increases the likelihood that a person will exploit an entrepreneurial opportunity because having a working spouse allows an individual to better bear the uncertainty of income from entrepreneurial activity. As a result, people with working spouses demand lower uncertainty premiums from entrepreneurial activity, and are more likely to exploit opportunities.” Similarly, “age has a curvilinear relationship with the exploitation of opportunity. Initially, age will increase the likelihood”; however, individuals become older, “their willingness to bear uncertainty declines and their opportunity costs rise” (Shane, 95).
Other individual factors such as “absorptive capacity and cognitive processes” influence the capability of individuals to “recognize opportunities given a certain amount of information.” The most important aspects of absorptive capacity are prior knowledge about markets and prior knowledge about how to serve markets. The most important cognitive processes are intelligence, perceptive ability, creativity and not seeing risks” (Shane, 60).

Similarly, individual psychological factors influence the likelihood that people will exploit opportunities, and thus, enter into entrepreneurial ventures. Some of these include: extraversion, skepticism, need for achievement, risk-taking, desire for independence, locus of control such that a person believes that she can “influence the environment in which she is found,” self efficacy, overconfidence, representativeness, and intuition (Shane, 116).

Therefore, there is no single factor or particular type of person who will exploit opportunities for profit and become an entrepreneur. Instead, there are a variety of factors that influence where and when opportunities are available and how they will be utilized by an individual to form a successful venture. Nevertheless, success is possible. With the right opportunity and determination, an individual can create substantial value.

A Look into Small Businesses

A mechanism by which entrepreneurs achieve success is through the establishment of small firms. There is sufficient evidence to support the conclusion that small firms make substantial contributions to the growth of the economy through innovative accomplishments; “without breakthroughs such as the airplane, FM radio, and the personal computer, all introduced by small firms, life in the industrialized economies
would be very different today” (The Small Business Economy, 183). Currently, about 99 percent of all United States employers are small firms which are defined as having 500 employees or less. These small businesses supply nearly 75 percent of new jobs. Thus, these small firms are a stable force in the economy; for example, between 2001 and 2003 when the country experienced an economic recession, the job growth in small businesses surpassed job losses. Similarly, in the first quarter of 2002, “36 percent of jobless managers and executives started their own businesses, with a majority of laid-off managers moving to small companies” (Lennick and Keil, 196). Therefore, in recent centuries, small firms have contributed to economic growth through in the market through innovative breakthroughs and stability.

There are differences between the way in which small firms and large firms take part in innovative activity. A division referred to as the “David-Goliath partnership” exists because small and large firms specialize in different parts of innovative activity. Most of the “private expenditure on research and development (R&D) is provided by the giant business enterprises” (The Small Business Economy, 183). However, there are systematic forces that frequently compel large firms to avoid technological change. It is often management of large firms who “avoid technological changes that threaten obsolescence of their own specialized knowledge, even where those changes promise to benefit stockholders” because managers often have certain habits and ideas ingrained in their mind that “may make them unreceptive to novelty.” Likewise, “older firms organized appropriately for one generation of technology may find that the same organization handicaps their use of newer techniques” (The Small Business Economy, 197). Therefore, it is not easy for large firms to institute change.
In contrast, the structure of small firms has proven to be more successful for producing innovative breakthrough products. Small firms contribute radical inventions which are often “sold, leased, or otherwise put into the hands of the giant companies, which have then proceeded to develop them—adding capacity, reliability, user friendliness and marketability more generally—to turn them into the novel consumer products that have transformed the way Americans live.” Therefore, the value of the “combined products clearly exceeds the sum of the parts;” moreover, without these breakthrough inventions to build upon, the big companies would be confined to a much more restricted body of ideas to which to devote their development activities” (The Small Business Economy, 183).

A recent study sponsored by the U.S. Small Business Administration’s Office of Advocacy shows systematic and strong evidence of the strength of small firms as related to innovation. The study finds that “a small firm patent is more likely than a large firm patent to be among the top 1 percent of most frequently cited patents.” Also, it reports that “small firms represent one-third of the most prolific patenting companies that have 15 or more U.S. patents” (The Small Business Economy, 185). In addition, “small firm innovation is twice as closely linked to scientific research as large firm innovation on average”; so small firms produce considerably more high-tech or leading edge products that are of higher value in the market. Also, “small patenting firms are roughly 13 times more innovative per employee than large patenting firms. A small firm patent is at least twice as likely to be found among the top 1 percent of highest-impact patents as a patent from a large firm” (The Small Business Economy, 187).
Furthermore, as small firms dominate the research and development of innovative breakthroughs, the logical conclusion is that most of the innovative and revolutionary ideas of the “past two centuries have been, and are likely to continue to be, provided more heavily by independent innovators who, essentially, operate small business enterprises” (The Small Business Economy, 187). Consequently, there is a lot of success to be had in owning a small business, but the road to success is not smoothly paved.

**Success in Small Business**

Success in new ventures can be measured on many dimensions. One important measure of entrepreneurial performance success is survival because “few entrepreneurial efforts survive.” It is estimated that “half of all entrepreneurs fail to complete their organizing efforts. Moreover, approximately 750,000 new businesses are founded and fail every year in the United States, with 40 percent of the new businesses failing to survive one year, 64 percent failing to survive five years, 75 percent failing to survive eight years, and 88 percent failing to survive 19 years” (Shane, 5). A researcher at the Bureau of Labor Statistics found that “66% of the 212,182 employer businesses started in the second quarter of 1998 lasted two years, and 44% survived four years. Similarly, research conducted by economist Brian Headd for the Small Business Administration's Office of Advocacy found that “based on Census data available on 12,185 businesses started between 1989 and 1992, 66 percent of them remained open after two years, 49.6 percent after four years and 39.5 percent after six years.” Contrary to popular belief, most businesses that close are not always failures. Instead, Headd found that about a thirty percent “of those businesses that closed, or were sold, were considered successful by their owners,” and many owners “departed for other reasons.
such as retirement, poor health, selling the business for a profit, or getting a new job.” Similarly, contrary to popular belief, there is no one industry that has particularly high failure rates as research indicates that survival rates only slightly vary among industries.

Another measure of entrepreneurial performance is based on an “increase in the new venture’s employment or sales” (Shane, 6). “Growth is an important dimension of new venture performance because it, too, is rare. Fewer than 10 percent of new organizations ever grow on any dimension, and fewer than 4 percent of new organizations add more than 100 employees during their lifetimes” (Shane, 6). Finally, “the achievement of an initial public offering, which is defined as the sale of stock to the public” can be used to measure success (Shane, 6).

However, it must be noted that these numbers only track businesses with employees; therefore, this numbers have a shortcoming in that they do not reflect survival rates for businesses that are non-employers. Non-employers make up about three-quarters of all U.S. businesses, but they are difficult to research because they only file limited “information about their operations with the government” (Spors).

Nevertheless, small businesses are a vital economic force, and it is possible to achieve success and attain financial security through business ownership. However, “there is no magic bullet for venture success” (Kao, 206). The U.S. Small Business Association identifies four areas of success in small business; these include: sound management practices, industry experience, technical support, and planning ability (www.sba.gov). All of these factors must be accounted for in a new venture. Although
the task may seem daunting and intimidating, establishing a small business is actually quite easy if the person is willing and able to devote time and resources to making a dream come true.
How-To Kit for Starting a Business

Introduction

The previous research demonstrates that entrepreneurship is inherent in human beings’s need driven desire to innovate to create value for themselves and society. However, the research indicates that in today’s society there are obstacles that must be overcome for an entrepreneur to achieve substantial success. Yet, with a lot of determination and the necessary tools, it is possible for an entrepreneur to build upon dreams and establish a personal enterprise. Therefore, the following information is intended to provide a potential entrepreneur with inspiration and aids to begin a new venture.

Entrepreneurial Mind-set

Carl Sandburg once said, “Nothing happens unless first a dream.” Therefore, anyone with a dream can become an entrepreneur, but to become a successful entrepreneur takes a certain spirit and fortitude. Ultimately an individual’s confidence, planning, and love for the business is that on which it is possible to build success. An entrepreneur has to believe in his or her own dream to be able to sell it to others. Therefore, an entrepreneur must “believe in the dream itself,” and must believe that they have the ability to pull it off (Shefsky, 18).

In a self-owned business, the owner should consider himself his most important employee. Therefore, a person should ask themselves if they have what it takes to own and manage their own business. One must be fully aware of his or her strengths and weaknesses; thus, it is necessary for a potential entrepreneur to ask some questions of themselves to determine if a new venture is an appropriate business for them. The U.S.
Small Business Administration suggests some questions to ask yourself before beginning your own business. These questions range from how an individual’s personality and decision making skills fit those necessary for venture creation to how the new business will affect one’s personal life. (www.sba.gov).

**Developing an Idea**

Once an individual has determined that they have the necessary traits to become an entrepreneur, the first step to take advantage of the prospective success as an entrepreneur is to develop an idea. It is important to think comprehensively to develop a business idea that “not only gains momentum, but actually takes on a life of its own” (Flannery, 1). It is important to stay committed and follow through with the business idea.

Once you have developed an idea, there are some simple steps to follow to keep from being overwhelmed by the task at hand. First, “choose a business that fits you.” This is important so as to remain interested, passionate, and knowledgeable about the business. Second, “state your end goal.” This gives you direction and a foundation from which to establish smaller milestones to aim for. This can help a person from feeling overwhelmed by focusing on short-term smaller goals that will ultimately help reach the end goal. Once you have established several milestones, choose one milestone and identify the tasks necessary to reach the milestone. Then you can schedule each task and begin to take action (Flannery, 1). Therefore, once an individual has developed an idea from a dream and determined that they possess the necessary skills, personality, and ability to start-up a business, it is time to “get ready, get set, get planning and go” (Kao, 206).
Preparation and Planning

Planning is necessary when beginning a new venture because planning motivates and inspires an entrepreneur to take action and overcome obstacles. From books to software, there are many resources to use when planning a business. Perhaps the most informative and easily accessible resource is the Internet which offers a host websites by which organizations present information on starting and maintaining a business, writing business plans, and legal aspects of owning a business. Some of these Websites include: the Small Business Administration (www.sba.gov), the Internal Revenue Services (www.irs.gov/smallbiz), the National Federation of Independent Business (www.nfib.com), the Services Corps of Retired Executives (www.score.org), and Nolo (www.nolo.com).

Resources for Women

Since women made up “about 40 percent, or 10.4 million of all small-business owners in the U.S. this year” (www.cfwbr.org), it is worth noting that there are several resources specifically designed for women entrepreneurs. Women are receiving help from a plethora of programs put on by organizations such as the Small Business Association, banks, and advocacy groups.

The SBA’s Office of Women’s Business Ownership, specifically offers support for women. With about 90 centers nationwide, these centers put forward seminars, counseling, and various other programs aimed at helping women start, maintain or expand a business. Similar programs are offered by local chapters of the National Association of Women Business Owners to help women achieve the most from their businesses. Likewise, Ladies Who Launch is a popular New York-based organization to
aid women in expanding their businesses. One of services they offer is a Web site, LadiesWhoLaunch.com; here, women discover business tips, a forum to network and discuss business ideas, case studies of successful female entrepreneurs, and a classifieds section where women run ads to endorse their businesses.

Another New York-based group, Count Me In is an organization that provides resources and micro loans to women. Last year, Count Me In partnered with American Express's to start Make Mine a Million, a program "with the goal of having one million women-owned businesses with $1 million in annual revenue by 2010. So far, "there are 242,000 (Ossinger).

Similarly, other organizations such as financial institutions have begun programs to offer services for women. Since its inception eleven years ago, Wells Fargo's Women's Business Program has made more than $26 billion in loans to women small-business owners (www.sba.gov).

The Business Plan

Perhaps the most significant part of the planning is the business plan. A clear and defined business plan defines the business and provides the start-up with direction and essential goals, and most importantly, the business plan is a necessary tool to gain financing (Williams and Manzo, 5). There are different models relating to the format of a business plan; generally, the business plan is divided into three parts: the executive summary, the business overview, and the financial strategy.

Executive Summary

The Executive Summary is the first impression that others will have about the company. Therefore, it is necessary to have a solid and distinct Executive Summary to
instantly attract potential investors. So, this is the place to point out special and unique features of the venture. This will attract investors from the beginning, and get them fundamentally interested in the business (Thomas). The Executive Summary should be no longer than 10 percent of the entire document, and it should provide insight into the rest of the business plan.

**Business Overview**

The business overview will describe the firm through four sub-sections: the company overview, business environment, company description, and company strategy. First, the company overview is made up of a values statement, vision statement, mission statement, and goals and objectives. Therefore, this section should make comprehensive observations on the nature and culture of the business. This will serve as a guide for management and employees’ behavior and work. Second, the business environment is an interpretation of the nature of the industry and the market in which the business will participate. This means looking in depth at customers and competitors. Third, the company description is a detailed picture of the company. It provides insight into management, technology, products, services, and marketing. Finally, the company strategy brings all the information from the previous sections together to form a comprehensive and detailed approach to the future (Tiffany and Peterson, 17).

A set business strategy is an important factor for success in a new venture. An entrepreneur should know the direction they want to go in and “have a rough idea how to get there” (Kao, 25). Thus, a business strategy is important to ensure that individual and company goals and objectives are met.
An entrepreneur’s business strategy should be to first focus on the development of a unique competitive advantage to set their company apart from others, and then if desired, aimed at growth and expansion of the business. Therefore, it is best to begin small by focusing time and energy on a core competency to establish the business competitive advantage (Kao, 242). Once a competitive advantage is established, an entrepreneur must protect it through secrecy and/or through barriers such as controlling resources, legal obstacles, scale, reputation, and innovation (Shane, 196).

Entrepreneurs who adopt a growth strategy enhance the likelihood of new venture survival, and also have ventures that grow faster. “Firms that concentrated on increasing market share and increasing production were more likely to survive than those that concentrated on other things. Based on the U.S. Department of Census’ database on the Characteristics of Business Owners, researchers found that “sales growth was positively correlated with profit growth for both franchised and independent businesses” (Shane, 210).

Therefore, it is necessary to continue to change and focus on innovation so as to protect the competitive advantage. To stay ahead of the competition, “you have to think about the change elements that exist in business: changes in customers’ buying behavior, in technology, in the existing competition, in potential competition, and the most fundamental change of all, in what your business is doing that can be done in a different way” (Dell, 209). To further examine these ideas on business strategy, it is helpful to look at two case studies. Both Microsoft Corporation and Dell, Inc. exemplify business strategies focused on competitive advantage and management that will not allow complacency in the workplace.
Bill Gates and Microsoft Corporation: Darwinian Management

Bill Gates once said, ""Maintaining focus is a key to success’’ (Lowe, 39). Gates’ focus has remained centered around his vision thirty years ago that personal computers would be a necessary tool in every home. In 1975, Gates dropped out of Harvard University to begin Microsoft Corporation, and his dream became a reality. Although Microsoft’s business strategy has adapted over time, the company has maintained its focus of making information technology available for everyone. This change is possible because of Microsoft’s management style which has been described as Darwinian. It has been termed this because it is a survival of the fittest type system. This style has is what drives makes Microsoft a distinct company. It fosters innovation within the company because within business, change is a necessity; therefore, the excellence of the company depends on its ability “to sense change and quickly respond, thereby surviving or even thriving’’ (Lowe, 54).

Management styles will vary across businesses depending on the size and type of the company, corporate culture, company competencies, and business strategy. Yet, a management style that takes on an entrepreneurial mind-set will foster growth and innovation; Gates said, “The entrepreneurial mind-set continues to thrive at Microsoft because one of our major goals is to reinvent ourselves – we have to make sure that we are the ones replacing our products instead of someone else” (Lowe, 69).

Similarly, the corporate culture at Microsoft promotes this style; “Gates said, ‘We never waste a lot of time talking about we’re doing well. It just isn’t our culture. Every meeting is about ‘Sure, we won in seven of the categories, but what about that eighth category’’” (Lowe, 60). Thus, the corporate culture and strategy of the company
go hand in hand. Microsoft's culture is one that accepts new ideas and pushes for innovation and creation because they want to constantly be changing in order to have the newest and most technologically advanced products. "Gates said, 'We tell people that if no one laughs at at least one of their ideas, they're probably not being creative enough'" (Lowe, 61).

In 1986, Gates became the youngest billionaire at 31 years of age (Lowe, 232). In 1995, Gates became the world's "richest private individual with a net worth of $12.9 billion" (Lowe, 234). Also, in 1995, Gates was voted the "most respected CEO" in an Industry Week survey beating GE's Jack Welch by one vote (Lowe, 234). Microsoft Corporation now has revenues of around $39.79 billion (www.microsoft.com).

Michael Dell and Dell Computers: Direct Relationships

Michael Dell founded Dell Computers in 1984 with $1,000 and an innovative idea based on building direct relationships with customers. Dell created an alternative approach to selling computer, and the company became the first in the computer industry to bypass "the dominant system of using resellers to sell mass produced computers" and "sell custom-built computers directly to end-users" (Dell with Freedman, 11). Therefore, by eliminating the middleman, Dell sells computers directly to customers, deals directly with suppliers, and communicates directly with their employees, reducing unnecessary steps.

Thus, the entire organization is direct from the top down, at Dell this is phrased as "direct to the top" (Dell with Freedman, 16). Within this "direct model," people including employees and customers are critical to success. Starting from the hiring process, Dell's management ensures that employees are aligned with the company's
values and objectives; because Dell believes that “if a person thinks in a way that’s compatible with your company values and beliefs, and understands what the company does and is driven to do, he will not only work hard to fulfill his immediate goals, but he will also contribute to the greater goals of the organization” (Dell with Freedman, 109).

Dell’s management style makes certain that employees do not become burned out in their jobs. Dell recognized that it is impossible for even the most hard-working employee to grow at the same rate as the company and still “maintain the sharp focus that is critical to success.” Because as businesses grow quickly, “many jobs grow laterally in responsibility, becoming too big and complex for even the most ambitious, hardest-working person to handle without sacrificing personal career development or becoming burned out” (Dell with Freedman, 112). Dell describes a way in which to counter this problem through segmentation. During this process, Dell brings in “additional talent and/or divides a business unit, product organization, or functional unit” to make the “newly segmented structure more manageable and more sharply focused to the business opportunity” (Dell with Freedman, 113). When Dell first began this segmentation process, employees were confused, and many viewed the narrowed responsibilities as “a sign of demotion, disapproval, or failure” (Dell, 113). However, Dell overcame employee concerns by planning and communicating more broadly within the organization the future organizational structure (Dell, 113). Early communication with employees proves to be motivational because employees are able “to see in advance the tangible impact of growth on their job opportunities and careers.” Therefore, job segmentation which is “completely counterintuitive to conventional business practice” makes sense because a company wants good employees to thrive and help the company continue to
prosper. Dell describes it as the best way to create new opportunities and “meaningful new jobs that more precisely match an employee’s skill set.” In addition, job segmentation facilitates Dell’s corporate strategy because it helps them identify company weaknesses; therefore, “new businesses get started and holes in the organization emerge which encourage people to grow. Segmentation helps ensure that our best people don’t become complacent or bored, and that our relationship will be a long and, we hope, fruitful one” (Dell, 114).

Similarly, “managers attend working-level meetings about products, procurement, and technology, to tap into the real source of the company’s experience and brainpower” (Dell, 116). This is a way to get close to the people at Dell. In addition, by roaming around and engaging in unplanned interactions planned managers stay involved and gather information through anecdotal feedback. “Information is the key to any competitive advantage”; therefore, day-to-day involvement and having sufficient data about what is going on within the company allows for quick decision making. Thus, this helps Dell establish and maintain one of their “critical competitive advantages: speed” (Dell, 116).

Similarly, Dell uses segmentation as a marketing tool to differentiate its customers. This is a crucial step to sharpen focus, and create products and services tailored more specifically to each segment (Dell, 151). This is a necessary step in today’s world as technological change gives the consumer more power in defining future products. The Internet provides a powerful tool by which consumers can instantaneously. Therefore, knowing customers needs and wants is vitally important; so, as part of Dell’s strategy, managers “frequently meet with customers” (Dell, 116). This can take the form
of “meeting face to face with customers on a regular basis, creating online surveys, focus groups, and phone surveys” (Dell, 145). For Dell, this process is about “knowing their needs almost before they do.” This is important for Dell to build products and services that specifically meet customer needs and wants, and thus, satisfy customers (Dell, 144).

For Dell, the real answer to the question of whether a customer is satisfied with their products “comes when he buys a second time” (Dell, 144). It appears that customers continue to come back to Dell. Dell has had significant success. In 1991, won the first-ever J.D. Power and Associates Customer Satisfaction award for the computer industry. The survey demonstrated that “customers who bought from Dell were more satisfied than those who bought from the conventional dealer channel because they had a way to add their input into the process” (Dell with Freedman, 144). In addition, Michael Dell became the youngest CEO to earn a ranking on the Fortune 500, and Dell Inc. currently has revenues of about $57.4 billion (www.dell.com). Thus, Dell provides an example of how a unique competitive advantage and committed to employees and customers can help a company become a success.

Financial Strategy

Once the business strategy has been completed, the final section of the business plan is the financial strategy. This section must be well prepared and should provide a detailed financing plan to gain venture capital. This is a key section because a start-up is a company without revenues; therefore, it is essential to the future of the business that the entrepreneur receives adequate financing. The financial strategy should include a pro forma income statement, balance sheet, and statement of cash flow.
Pro Forma Income Statement

The pro forma income statement includes projections on revenue and costs for at least three years into the future. Estimates of revenue should be based on the multiplication of sales forecasts and average price. These are derived from hard data on the industry, market trends, and past experience. Costs should be based on anticipated cost of good sold (COGS) which is derived from the following formula: projected COGS = (current COGS/current revenue on sales) x projected revenue. Because a start-up will not have these numbers, they can be projected based on industry averages. Other costs include selling, general, and administrative expenses which come from the day-to-day operations of the business, interest expense from investments, taxes, and depreciation on assets. All of these numbers are merely estimates (Tiffany and Peterson, 200).

Taxes can be more accurately estimated through the use of the Internal Revenue Service. Taxpayers “face uncertainty from two directions: tax complexity and tax rates. Given that complexity raises compliance costs, taxpayers then become uncertain as to the total future burden of taxes. Research by Crain (2005) details the small business compliance burden of income taxes. American small businesses in 2004 spent $1,304 per employee to comply with federal income taxes, or almost two times as much per employee as the average large business. One reason for the high per-employee cost to small businesses is the level of complexity in the tax code” (The Small Business Economy, 145).

Balance Sheet

The balance sheet includes a section on assets of the company, and a section on liabilities and owners’ equity. Assets are broken up into current assets and fixed assets.
Some examples of current assets include cash and projected inventories. Examples of fixed assets are land, equipment, and buildings. Similar to assets, liabilities are divided into current and long-term liabilities; current liabilities include all of the money owed in the short-term, and long-term liabilities are the long-term debt used to finance the company. Finally, owners' equity shows the amount that outside investors have put into the company.

**Statement of Cash Flows**

The statement of cash flows tracks the cash inflows and outflows of the company. Here is some advice to keep the cash flowing smoothly. First, ensure that “costs are escapable”; this means that small and new companies should avoid fixed costs if at all possible, and “incur costs associated with activity” (Kao, 246). Second, “avoid overhead buildup” because borrowing money to increase overhead requires a “high sales volume, otherwise there will be a cash flow problem” (Kao, 246). Similarly, extra overhead means additional “fixed commitment in cash, resulting more often than not, in a deep debt financing situation”; and deep debt financing entails interest payments which if incurred before profit is earned, this can put a “great deal of pressure on generating cash” (Kao, 246). Therefore, it is necessary to plan appropriately and develop a financing plan that is strategically viable and attractive.

**Investors in Small Business**

“There are more than 20 different methods of financing the small business” (Silver, 1). Forms of equity capital include: partnerships, limited partnerships, venture capital funds, employee stock ownership plans, strategic alliances and joint ventures, and
public stock issues. Thus, there are a lot of opportunities for entrepreneurs to gain financing.

It is necessary to determine the right stage in the process for the start-up to seek financing. Start-ups are frequently divided into three stages of development: the dining room table, the laboratory, and the garage. The dining room table is defined at a point in which there is an idea for a new product, an entrepreneurial team, and a timetable of events of which costs are known. However, the “start-up is not really a company” because “usually no money has been invested.” Here, it is not advisable to seek venture capital because at this very early stage, entrepreneurs are rarely satisfied with proper financing. Therefore, “it is often better for entrepreneurs to raise family or friendly capital to move a dining room table deal to a more advanced stage of development, because if all the capital that needs to be raised is raised from private venture capital funds, the entrepreneurs will in all likelihood give up control from the outset. Because many emerging companies require several rounds of financing, the entrepreneurs’ ownership would very likely be whittled down to less than 20 percent” (Silver, 26).

In contrast to the dining room table, the laboratory stage involves a risk. Typically during this period, “a product is in development but is not significantly completed to be tested” (Silver, 26). Finally, the most advanced stage is the garage stage. This is the best time for entrepreneurs to seek professional venture capital (Silver, 27). Furthermore, when financing a business, people are an important resource, and there are several different options; so, when choosing people to invest in your business, it is necessary to consider their expectations and goals as well (Kao, 224).
Commercial Banks

If the company needs additional financing; one method is through commercial bank loans. With this method of financing, the business plan should stress the distinctiveness of the product or service as well as detail competition and marketing plans because “with little or no financial history, it’s difficult to convince a bank of the efficacy of pro forma forecasts” (Tuller, 30).

Secured Lenders

Another method of debt capital is through secured lenders. Also, “known as asset-based lenders of finance companies,” secured lenders normally do not compete with commercial banks even though they make similar types of loans because “these banking industry offshoots focus on a very specialized, high-risk market niche.” Nevertheless, companies can frequently get loans from secured lenders if they have been rejected by a commercial bank (Tuller, 35).

However, there are significant costs associated with a secured lender. They charge very high interest rates and non-refundable placement fees when applying for the loan. In addition, “most secured lenders charge a monthly service or maintenance fee,” Finally, borrowers are “expected to submit monthly financial statements and be subjected to regular (monthly or quarterly) audits by the lender’s staff,” and customers are usually expected “to pay the travel and living expenses for these auditors (Tuller, 41).

Government and Agency Loans

Another form of financing comes from the government and agency loans. These loans are an excellent option for business startups that are going to serve fragmented,
local markets. However, a business must meet certain requirements to be eligible for a loan (Tuller, 58).

Venture Capitalists

“Venture capital, also known as risk capital, is the primary source of financing for startup businesses, R&D ventures, and companies bringing out new product lines” (Tuller, 159). Venture funds are created when professionals who often exhibit strong financial backgrounds or MBA’s, come together “to invest in a specific sector they perceive to represent a strong growth opportunity.” These type of funds are present in nearly state in the country is home, and they range from “one-person operations to divisions of large commercial banks.” Thus, venture capital funds usually “fall into one of four categories which include: investment banks, divisions of large corporations, family funds, and private investment firms” (Tuller, 162).

Often, venture capitalists are successful entrepreneurs themselves, and “have invested their own money in the fund, thereby bringing a wealth of business operations experience and savvy to the table.” However, the vast majority of venture capitalists “have not served in executive or entrepreneurial roles.” Typically, venture fund managers “raise $50 million or more from institutional investors—state and corporate pension funds, university endowment funds, and large insurance companies, as well as wealthy individuals—to form the venture fund.” These institutional investors are “‘limited partners’ or ‘LPs’ in the venture or private equity fund,” and the venture fund “creators and day-to-day managers are ‘general partners’ or ‘GPs’” (Thomas).

The business plan and presentation to the venture capitalists is especially important because “venture capitalists are primarily business-oriented managers rather
than bankers, they want to see a thorough description of the business: product lines, customer base, competition, market size and share, and so on.” In addition, venture capitalists expect “a complete profile of the background and credentials of the management team”; it is almost impossible to “attract venture capital to startup situations without rock-solid evidence that the business owners and key managers are experts in the field and have outstanding technical and managerial abilities to develop and bring the product to market.” Likewise, a clear, concise, well-researched, and well-thought-out pro forma forecast is critical to attracting venture capitalists; without this, “all the rest is meaningless” (Tuller 172). These things should all be shown in a well-planned and detailed business plan and investor presentation. Since an entrepreneur only has “one chance to make a good impression; it is absolutely critical to maximize this first opportunity.” Robert Compton, an angel investor who resides in Memphis, Tennessee, said that an ability to sell is the key to achieving funding. Furthermore, the biggest obstacle to overcome when attracting venture capital is “to convince investors that you are no just blowing hot air and working out a dream” (Thomas).

It is important to look to bring in capital from multiple venture firms. Spreading this funding allows for more flexibility and more security for future funding (Thomas). Therefore, “it is prudent to send the business plan to 20-30 private venture capital funds” (Silver, 25). Once the business plan has been presented to the potential investors, it generally takes 45-60 days “to obtain a commitment for financing” (Silver 25).

Nevertheless, as with any investment opportunity there are many pros and cons that need to be evaluated by the entrepreneur before working with venture capitalists. Some of the pros are that they open doors, “they are invaluable advisors and mentors,
they provide important seed or growth capital,” and they also “set aside additional cash for follow-on investments in the future as your business grows, or if you face obstacles along the way that require more funding, as many companies do.” The cons, on the other hand, relate to giving up ownership stake in your own company. Therefore, it is important “to weigh the risk/reward against the dilution” (Thomas).

Small Business Investment Companies

“Small Business Investment Companies are venture capital firms that specialize in first-stage financing for businesses in fragmented, local markets that cannot attract private venture funds” (Tuller, 170). “The biggest advantage of SBICs over typical venture capital firms is that SBICs are not after outrageously high returns. Most will settle for 15 to 20 percent per year, in contrast to 35 to 45 percent for venture capital firms” (Tuller, 171).

Angel Investors

In 2004, “approximately 45,000 US companies received angel funding”, and on average, “each raised about $469,000” (Thomas). Angel investors are similar to venture capitalists in that they provide capital for business start-ups in exchange for owner’s equity. However, unlike venture capitalists, angel investors typically do not handle the collective money of others in a professionally-managed fund. Instead, angel investors usually form groups such as angel networks to collaborate on research and use their own investment capital. However, because of the significant amount of money that angels invest, entrepreneurs seek angel investments during the second round of financing after friends, family, and venture capitalists have contributed.
Angel investors encounter a significant risk; therefore, they expect a very high return on investment. For instance, angel investors often seek a return within five years of around ten to twenty times their original investment. Therefore, angel investments can be costly for an entrepreneur; however, they are one of the most easily available loans for start-ups (www.sba.gov).

Ready to Launch…Remember Your Morals

Now that you are ready to launch your new venture, here are a few key things to remember. A key competitive advantage comes from intelligence and knowledge which allow a company to demonstrate differentiating competencies. Two forms of intelligence that are difficult for competition to copy are moral intelligence and emotional intelligence (Lennick and Keil, 5). However, “entrepreneurs rarely launch their new ventures with an explicit moral focus.” Therefore, many of their mistakes are not strategic or operational, but moral. This lack of moral proficiency is often costly to the business, and the reason that many business fail completely. Thus, even a startup with an exceptional business model can not survive “without morally competent leadership”; moral skills are “intrinsic both to successful entrepreneurship and successful management of established companies.” Furthermore, it is necessary for entrepreneurs “to align their businesses with the principles of integrity, responsibility, compassion, and forgiveness” (Lennick and Kiel, 185).

“Moral intelligence is made up of four principles these include: integrity, responsibility, compassion, and forgiveness” (Lennick and Keil, 7). This means that in the business process even when “stakes are high and the cash flow is low,” the entrepreneur should not lose sight of their values. They should surround themselves with
employees and others who share similar values. The business should be one that helps others and makes the world a better place. Therefore, it means putting people first. This can be done by investing in the development of employees (Lennick and Keil, 204). Furthermore, a moral focus is an efficient and effective way for small businesses to survive. It is a necessary factor for a small business because it is difficult for a company with little resources to overcome a significant moral lapse.
A Dream of Owning a Women's Clothing Boutique

Introduction

This is my own personal beginning to starting my own women’s clothing boutique. From the previous research, I have developed the necessary tools and inspiration to being my own business in the future. This is a dream that because of other goals and commitments will probably not materialize for several years; however, I can begin the process. Thus, I have included some research and a case study on an apparel store, and I have begun my own business plan.

Apparel Store 101

Nancy Stanforth, professor of merchandising at Oklahoma State University says, “Running an apparel store is something you do all day every day.” It is more than a full-time job because an independent clothing boutique must compete with larger, established women’s retailers such as Banana Republic and Anne Taylor. Therefore, it is important to convince potential customers through a strong brand image that you have more to offer than these traditional retail stores. The challenge can be fun, and it is possible to achieve success.

This first step as a prospective women’s apparel retailer is to look for “market-vendor” gaps. This means determining which customer segment the store will serve, and what apparel to provide at what price that can not be easily found elsewhere. Then it is easy to buy accordingly, and to begin a women’s clothing boutique, experts recommend at least $250,000 to start a women’s clothing boutique.

There are numerous policy questions to answer when entering the apparel business. Questions arise from issues “surrounding pricing, consignment, purchasing
unsolicited products, credit, cash layaway, returns, special orders, damage, children in the store, credit cards, gift wrapping, gift registry and hours of operation."

“Most apparel stores that don't conform to a mall's shopping hours stay open a minimum of six days per week, usually Monday through Saturday from 10 a.m. to 6 p.m. or 11 a.m. to 7 p.m. Frequently, stores will stay open until 9 p.m. or later on certain, or even several, days of the week, typically Thursday and Friday. Flexible hours allow for lunchtime and evening shopping, and in this business, flexibility is your friend.”

Depending on store hours and customer traffic, the owner can decide how many employees are needed. However, a good rule of thumb is “one full-time and one part-time person for a 1,000-square-foot store.”

When choosing a location it is important to consider the community’s population size, the stability of its economy, parking needs, space needs, the potential for growth in the area, visibility of the store front, and “whether the area's demographic characteristics are compatible with your target market.” As far as rent is concerned, “almost all apparel store lessors, or landlords, require a square foot rental from their lessees, usually paid on a monthly basis. Apparel store rent can run as low as $8 per square foot in certain parts of the country, and close to $40 per square foot in big malls or shopping centers in high-traffic areas or in higher-rent metropolitan areas, like New York City, Los Angeles, Chicago and Dallas. Landlords also sometimes ask for a percentage of the tenant's monthly gross sales--above a certain specified amount--on top of the minimum monthly rental. In addition to paying flat rents and sales percentages, apparel store owners who decide to locate in a shopping center or mall may be asked to pay what's known as an add-on charge. This per-square-foot charge or small percentage of a store's gross sales
covers advertising and promotion costs for the shopping area and upkeep of the common areas surrounding the businesses (parking, sidewalk, walkways, sitting areas, patios, and restrooms)."

Nevertheless, if the ideal customer never passes by the store, it is still possible to attract their attention. Awareness can be achieved through mail and mass media; therefore, advertising is tool to build sales. A distinctive and well-planned advertising campaign should be “simple, straightforward, informative, and eye-catching.” It should demonstrate the store’s image as well as inform customers about the store’s merchandise, “special events, services, and sales.” Furthermore, there are many decisions to be made when opening an apparel store. However, the most significant choice is how the company will achieve its competitive advantage. The following case describes a successful clothing store in which the owner has achieved customer loyalty and a competitive advantage through quality (entrepreneur.com).

Case Study: Olive and Bette’s

In 1992, Stacey Pecor, 40 began Olive and Bette’s, a clothing boutique aimed at bringing fashion to the women of Vermont. In 1995, Pecor expanded the store to New York City’s Upper West Side. Here, it became one of the first stores to bring trendy clothing to the neighborhood. Since 1995, Pecor has opened three more locations in New York City. She carefully chooses high-traffic places “that attract a variety of consumers ranging from teenagers and stroller moms” to movie stars such as Julia Roberts and Sarah Jessica Parker.

By 2006, Olive and Bette’s had moved to New York City and had projected sales over $13.5 million. To stay cutting-edge, she consistently shops the market to secure top
designers from all over. "Over the years, big-name stores have settled in her territory, but Pecor's focus on quality from the inside out has helped her not only stand her ground, but also benefit from the extra foot traffic. She provides extensive training to her 50 employees on everything from new products to computers. She also keeps careful track of key measurable like sales, and sets high goals; says Pecor, 'Nothing can sit in the warehouse for more than 24 hours.'" In the future, Pecor plans to open more stores in New York City as well as expand the company's website (www.entrepreneur.com).
L.S. Horton’s’ Business Plan

I. Executive Summary

This business is a unique women’s clothing boutique that will bring the latest fashion trends to customers in an environment that is friendly and helpful. This business will attract young women between the ages of 16 to 25 with designer clothing and accessories. The competitive advantage of this company will come from the quality of clothing as well as the quality of customer service.

II. The Business

a. Company Overview

i. Values Statement:

To provide an amicable work environment where employees are treated with respect. To follow the highest standards of excellence in purchasing, displaying, and retailing women’s clothing and accessories. To give our customers a unique experience and offer the highest quality products. To contribute positively to the local community and environment. To focus our efforts to increase profitability.

ii. Vision Statement:

To keep our customers constantly returning for upscale women’s clothing and accessories, considerate service, and a sociable atmosphere.
iii. Mission Statement:

Our mission is to provide shoppers with a unique shopping experience by offering a fashionable selection of high quality women’s clothing and accessories.

iv. Goals and Objectives:

- Become the leading independent clothing boutique in Germantown, Tennessee.
- Portray the latest fashions and trends.
- Provide a unique experience for customers.
- Establish standards for what a shopping experience should be like.
- Welcome all guests to the store with a positive attitude and helpful nature.
- Establish relationships with customers.

b. Business Environment

There are several women’s clothing boutiques in Germantown, Tennessee. In addition, there are numerous larger merchandisers of women’s clothing. Nevertheless, this a stable industry because women will always need and desire new clothing; although, there is a seasonal demand with peak times being in the fall and winter months.

Furthermore, the company will attract customers away from larger, established retailers by offering a unique product and service which will be portrayed to customers through advertisements. These advertisements
will take the form of direct mailing, newspaper ads, and personal phone calls to shoppers. Similarly, the company will offer special discounts and sales to loyal customers in addition to sales that will take place during the peak months.

c. Company Description

This women’s clothing boutique will be located in Germantown, Tennessee, and it will specialize in high-end women’s clothing which will be bought through markets in New York City and Dallas. The company will employ approximately four part-time employees, and one full-time employee. The store will be opened seven days a week. It will open at 10 a.m. and close at 8 p.m. Monday thru Saturday, and it will be open between the hours of 12 p.m. and 7 p.m. on Sunday.

d. Company Strategy

The company strategy is to gain and increase market share by providing a unique experience and service through the sale of high quality clothing and accessories.

II. Financial Strategy

Loans from friends and family will supply the initial start-up capital which will be approximately $250,000. The financial strategy will be to use this initial money to rent a store space, begin advertising, buy merchandise, pay employees, and acquire assets such as clothing racks and credit card machines.
Furthermore, the strategy in the first year of business will be to reduce debt. Through a loyal customer base, the company will begin to make sales, and after the first eighteen months, the goal will be to begin repaying debt. Within three years, the company should be making a significant profit.
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