
'Insider-Method' Business Creation

The Experienced Entrepreneur's Secrets to Creating a Business You'll Love

Overview

This material was developed at Action 800 Nation-Wide VoiceMail between 1989 and 1994, by staff in collaboration with clients in the process of creating new business organizations.

This report may not read very much like 'business advice.'

That's because most 'business advice' isn't as thoughtful of the whole picture as is the information contained in this report.



The way most new entrepreneurs go about creating a new business is enthusiastic but naive, and may result in the business they pictured (sort of) but they don't thoroughly enjoy it, or sometimes it leads them to become emeshed in unexpected problems and activities that aren't at all what they wanted! Avoid the rush now with this report!

Be assured that 90% of the entrepreneurs in America know only parts of this material. And as you may recall, the long-term study by the Small Business Administration came to the conclusion that 50% of all new businesses fail in the first two years, and 80% of them fail within five years. Glum news? You bet.

But your mind *leaps* to the question: *Why* did they fail?

And the answer is peculiar ...

The only conclusion the Small Business Administration could derive was that the owner of each failed business made a fatal mistake during the early years of operation, and couldn't survive his mistake.

The types of fatal mistakes, however, were all over the place. Maybe the guy picked the wrong location in a business where location is important. Maybe he mis-priced his goods. Maybe he paid too much for labor, or equipment, or inventory. Maybe he was undercapitalized and underestimated how long it would take to build the sales to carry the monthly nut. Maybe his advertising sucked.

Because that's the downside of inexperience: You can have a lot of excitement, but you may lack adequate judgment, and judgment is what keeps you alive.

Then again, think of business people you know who have a going concern, but they don't enjoy their lives or their businesses.

Maybe they didn't build the kind of business that would make them happy!

Although we cannot guarantee either your business survival nor your human happiness, we feel sure that if you treat the following 'Rules of Thumb' seriously, you'll greatly improve your odds of both success and happiness!

Why? Because these suggestions will make you 'thoughtful', and that can perhaps keep you from making what could be *your* fatal mistake!

Planning Your Life

Because this report must remain concise, we're going to present this material as 'Rules of Thumb,' We'll try to suggest why these rules help you, but you must think them through on your own. In fact, to get the most value, you must **MAKE THEM YOUR OWN**. This won't be too hard, because they're mostly common sense. But for some reason, most of us don't think these things through when we're just starting out. Lacking judgment because we lack experience, we don't know we should think about them. Later we find out different!

Create a Business to give you the Life you want

Most entrepreneurs start out because they have a picture in their heads. Maybe it's a restaurant that looks a certain way. Maybe it's a new type of newsletter and we wonder if it would work. Maybe it's a complex business scheme that appears, on paper, to cause a thunderstorm of money.

But having a picture clear in your vision as a future goal, without considering the rest of your life, is a formula for proceeding blindly.

Suppose you create that restaurant, or newsletter, or business scheme.

Will it give you a happy life?

If you haven't given thought to your happy life during the planning of the business, it would be purely a matter of luck if it gave you a happy life, because it sure wasn't a matter of planning!

So start not with the glimmering image you've got in your head, but start with a clear picture of the life you want to lead.

On all plans, it helps to write things down. Because (a) it exposes parts you're not seeing clearly, and (b) plans are handy things to refer to as you go along, yes?

Planning your Life

Start planning your life by writing down what you want to Be. What you want to Do. What you want to Have.

Be very specific. Don't say you want "happiness," because what does that mean? To get more clear, ask yourself, "If I were having happiness, what would that look like?"

Be sure to cover the ground. Include your income and shelter, your possessions ('stuff'), your place in society, your romance, your family, your hobbies, how you spend your day, your exercise and diet and health, and everything you're passionate about. If you really love ballroom dancing, don't leave it out!

But obviously, you could just include everything in the world, but that's not very intelligent, because it's not likely, and a plan that's not likely isn't much of a plan.

So how to discern what should and what shouldn't be on your list?

As you compile your list, being very specific, ask yourself this question: "If I had all the things on this list -- and nothing else -- would I have a happy life?"

When your answer is "yes," you've got the list right.

Picturing your Business In the Fullness of Time

Next, picture (and write down) a description of your business in the fullness of time, as if you could leap over all the petty details of creating and building it.

Draw a word picture very specifically, such as “This business will provide (service or product) to customers who are (description), operating from a (description) facility(ies) located in (place). Our gross income will be \$X and annual net income to the owner will be \$Y. Our position among the competition will be (details), and our marketing position will be (description). The unique features of our business will be (this and that).”

The important thing to keep in your mind as you create this description of your future, completed business is this:

What must the business look like, in order to give you those things which are written down on your description of the Life you want?

For example, if you have written down that you want to spend every third month fishing on Lake Bongo with your Uncle Jim, then how must you build your business so that you will be free to leave it every third month (and without worrying yourself sick while you're out there fishing)?

If you've written down that you want a big family, how will you build your business so that you'll get to *see* your family? Many people, especially men, get caught up in the game, and forget why they were building the business in the first place. (You could have a 'successful' business and an 'unsuccessful' life.) How will you avoid this kind of error?

It is vitally important that you clearly visualize the life you want, then clearly visually the business structure that would support that life, then make sure it's all clearly written down so you can keep yourself steering directly toward that goal.

Will your business go exactly the way you picture?

For that matter, will your life go exactly the way you picture?

Not likely.

There will be bumps and roller-coasters, of course. That's the adventure of the whole thing.

But you are more likely to approach your ideal life, and your ideal business, if you've made this plan to steer by ... than if you've not!

Passion

If you do what you love, the money will follow. True or false? We don't know the answer, but one thing's certain. If you don't do what

you love, you've probably wasted your life. You probably won't have a good time. We don't mean to be pessimistic, but look around you. People doing what they love are often happy. People who don't like what they do are often unhappy. Observation of the obvious. You really can't afford to ignore this, can you? So you *better* figure out how to spend your life doing what you love.

Put another way: Figure out what you like to do, and then figure out how to get people to pay you to do just that thing!*

The best way in general to figure out what you like doing is to make a list of *everything* that you've *ever* liked doing. Be sure to include things that seem small or silly. Again, be sure to write it down. If you just 'think' it, you'll lose many valuable things that come and go while you're not noticing.

How can you tell when a list is complete?

One way is to fill it out till you've run dry, then come back later and you'll discover you've got some more, then come back later and you'll discover you've got some more. In other words, 'run dry' three times. For some lists like this, try carrying it around with you, because you'll get more ideas all through the day.

If you're an adult, you've probably already investigated many things which you love.

Another clue is that often what interested you when you were between puberty and college will turn out to be where you have a deep and abiding interest. This holds true to an amazing degree. So make sure every interest you had at that time is included.

Now when you're planning your business, does it result in your spending your time doing those things you like to do?

Amazingly, when you think along these lines, you can often think up a business and a business structure that *does* do just that!

The Structure of Your Business

Most businesses have three parts:

- Marketing
- Administration
- Production

Marketing includes everything the public sees, so that includes the name of your company and of its products, the pricing of your products and services (including the way these prices are presented), the

* An excellent book which focuses on this issue is 'What Color is Your Parachute'. Although the book is aimed at job-seekers, the approach is equally valid for the entrepreneur. In fact it may be even more necessary, because a job-seeker can often more easily seek another job than can the entrepreneur start a different business!

methods of advertising used, and the methods of sales used. And it therefore includes related subjects such as the development and testing of such ads and sales methods. It may include some computer work related to mailing-list management, because often the most valuable asset of a business is its mailing list.

Production is creating your service or product and delivering it to your customer. It includes some sort of quality control, because if you want consistent results, you must deliver a consistent product, and the only way to deliver consistently is to measure what you deliver.

Administration is the business of running the business, and can include bookkeeping, collecting money, paying vendors, managing company assets such as the office and equipment, and perhaps also hiring and training (although in many small companies, marketing may hire and train marketing folks, and production may hire and train production folks).

Even if you're just one person, it's usually helpful to think about how you'll manage each of the three functions, because if you've not considered each of them, something's not going to get done, and as you can see by observing the obvious, each of these things needs to get done, or somebody suffers, probably you.

Naming your Business

The single most important decision you'll ever make in your business career is probably naming your business.

A good description of why this is true is beyond the scope of this report*, but consider this:

In today's busy environment, you don't have much time to catch someone's attention. For example, think of yourself at home, flicking across some channels while thinking about a problem from work, and your sweetie is just coming into the room. At that moment, what would it take for the commercial on the TV to really get your attention?

This gives you an idea of how little attention you yourself routinely pay to a compelling medium like television. Do you think the general public has more awareness and consciousness than yourself?

Probably not.

So realize that all those potential customers out there have *plenty* of things to occupy their consciousness, and that's not going to change just because you started a business.

* Perhaps the best discussion of the relevant principles will be found in a small but brilliant marketing book called 'Positioning' by Trout and DeVries.

So just accept as a fact of life that in today's fast-paced times, you'll have only a moment to catch a person's attention.

If you could go back 30 years and visit some small towns, then perhaps somebody would notice you just because you're there. And maybe that would be interesting to them.

But not today in the markets where you'll probably be attempting to sell your company and your products.

And because you don't have much time, your name (or the name of your product) must *immediately* seize a position in their head, or nothing else you say will be heard. The best way most marketing gurus have found to accomplish this is to make sure the name of the product is designed to appeal to the *target customer*. (I.e., not to appeal to you but to your desired customer!)

Your name must sound valid, reasonable, and appropriate. It's great if the name tells what you do. The best names are simple, and have a flavor. Cute often works against you, and Humor is pretty much unknown in company names among highly successful companies.

For example, if you were opening a restaurant, you could appropriately call it 'Joe's Diner,' 'Calcutta,' or 'Taco City.' You see how each of these creates an instant picture of what you would expect as a customer. As long as the restaurant delivers what the name promises, all will be well. And each name will appeal to a certain target customer.

However, you'd be swimming upstream to name a restaurant "BeetleJuice" (yucky-tasting!), "Bongos for Sale," or "Old Shoes." These names don't produce an immediate expectation that the customer would want to pursue.

You'd also be unwise to open a taco stand and call it "Joe's Diner," because the customer's expectation is not going to be fulfilled, and he will therefore not experience satisfaction, and what kind of business expects to survive with primarily unsatisfied customers?

How to Find and Choose a Name

Before we solve the name problem, remember: The name must be chosen to appeal to your target customer.

So first, who is your target customer?

You can take a survey if that's practical, but if not then just write down your best guess. You'll still be further along than most companies, who have never even considered this question.

You want a description of your typical customer, and it should include these things: Age, single or married, gender, general range of income, general education, and most important -- occupation.

Occupation gives you a window into the customer's psyche.

Why does that matter?

Because people mostly don't buy things for purely logical reasons. They mostly buy things because of the overall way it hits them (the total sensory package), and because of the way they *feel* about it.

How they feel about your product and their total sensory experience is actually something you can do a lot about, but first we've got to figure out who we're talking to.

Take these demographics, and then construct what some call "Psycho-Graphics," or "The Child at Play Within." This is easiest to explain by example.

Let's say your research (or best guess) reveals that your typical customer is a bank executive. He's married, makes good money, wears suits, and likes conservative stuff. Drives a Buick.

For Psycho-Graphics, you want to imagine what myths, legends, tall tales, or fairy stories the guy might automatically respond to.

For this bank executive, it's reasonable to assume that he might respond to old tales of the English Mead Hall, with the wizened Patriarch at the head of the table and the respectful tribe raising their mugs in a toast to his health and remembrance of victories past.

But what if your target customer is a crop-duster, flying from job to job.

It might be more reasonable to assume he might automatically respond to a story of the old west, where a loner blows into town, does some good deeds, and then moves on.

Would the bank exec find the western story compelling? Probably not. Would the crop duster find the Mead Hall images compelling? Probably not.

When you can think of some stories or fairy tales that would appeal to your target customer automatically, you're starting to think of their Psycho-Graphics -- in other words, how can you wrap up your package so that it *automatically* appeals to him?

We'll come back to how you wrap up the package, but for now we've got you with a clear picture of your target customer, and some insight as to how he'd react.

Now before we choose a name, we need some names from which to choose. Here's a good way to get them.

Make a list of every name you can think of, even silly and stupid ones. Follow the rule from above about lists. Make yourself 'run dry' three times.*

Once your list feels complete, your task is simple:

* One customer we know actually bought a keg of beer, invited 30 friends over for an evening, and came up with almost 500 names. Many names were real silly -- they had a lot of fun -- but there were lots of good names, too.

Just pick the name your target customer would be most compelled to buy!

Can you be certain of guessing the best one? No, but if you go through the exercise, you'll be closer than 90% of the businesses in America. And you're more likely to get it right than if you had made no attempt to find a name your customer would want.

Often the best name for the success of your business may not be the one you personally like the most. Because maybe *you* are not your target customer!

Packaging Yourself

Now let's consider how to wrap up your product in the image your target customer would buy.

You know your customer and you have a Psycho-Graphic image of your customer. You've got a name for your company (or your product) that your customer should like.

Your next step is to think up a 'Slogan'. This is a short phrase, which may actually not make much sense, but which appeals automatically to your customer's subconscious reactions.

This slogan is sometimes called the 'Unique Sales Position' because it serves to identify your company and make it stand out from the herd. You see these slogans all around you. For example ...

- When you care enough to send the very best
- Fly the Friendly Skies
- The Real Thing
- You've come a long way, baby
- We're driving excitement
- Like a rock.

Not one of these quite makes sense!

But we humans *make* them make sense!

Because it's our nature to make sense out of things, when we hear these, we 'interpret' them in some way that makes some sense to us. Now notice: That means that each of us can interpret these to mean something perhaps a little different, but it's certain that if we automatically saw it making sense according to the way we see the world, we will for certain *agree* with the resulting idea. We'll agree with the complete idea, because we constructed it ourselves ... Automatically, instantly!

And if *you* construct a slogan the same way, your target customer will take it in, make (his) sense of it, and will agree with it.

If it then has a flavor, and your name matches what he will automatically respond to, then you're in pretty good shape!

Does it mean he'll buy your product?

No, but it means you haven't struck out, and you got inside his head so that he notices that you're there. In other words, you've attained a chance that he'll buy. Until you got into his head, there was no chance, but now there is a chance.

Now you can go about making a sale.

The Formula for Presenting Your Product

The way you present your company or your product is generally going to follow a certain sequence. You're going to start out with your name and your slogan (to set the scene), and then you're going to make statements that relate your slogan to what you offer, then you're going to describe the benefits of your product, and ask him to buy.

- Name
- Slogan
- Positioning Statements
- Benefits of Product
- Ask for the Sale

You will do this in all sorts of places. Parts of it should appear on your letterhead and envelopes and business cards. If you have an answering machine or voicemail service, it should be on that recorded message -- the sale you're asking for on the recording is merely for their name and phone number. An easy sale to make.

If you make a personal sales call, you're going to proceed along the same lines. If your customer walks in the door of your pie shop, he should have seen your name and slogan on the sign or door on the way in, and the humans or signs or display of your pies in your shop should provide positioning statements and benefits of your pies, and then a friendly, "What would you like today?" (Asking for the sale.)

Let's do the pie shop ...

(Target customers are busy and frazzled retail sales workers in the shopping mall and upper-class housewives doing mall shopping. The Psycho-Graphic image that would appeal might be that of a magical land of the Arabian Nights, where sensory delights abound. Desserts are therefore extravagant, sensual, and expensive. The tone of the staff is, by training, conspiratorial and indulgent, suggesting that the

customer 'deserves' these 'little indulgences' for, after all, 'life is an adventure.')

The sign over the Shop, in Arabic Script and Gold Letters, says 'Aladdin's Enchanted Desserts.'

On the way in, smoked glass doors are inscribed with the slogan, 'Fantasy you can Taste!' (Sensual, indulgent, sexually-tinged suggesting excitement and pleasure.)

Inside, the decor is a little dim and warm and exotic. Little spotlights show off showcase dessert concoctions, and a huge listing (in script) on the wall behind the servers lists 'Everything your Heart Desires' with subject headings such as 'Cool Refreshments' (ice creams), 'Spicy Enjoyment!' and 'Steaming Hot!'

Your eyes fall on something like a banana split from Arabia, and the serving man (dressed somewhat like a genie), winks and says, "Ooooh, that one's good! Shall I prepare yours now?"

You see, once the original vision has captured your attention, all the rest is follow-through to let your dream come true. And the merchant suggested the dream to you all along the way!

You are going to love that ice cream, and you are going to be a happy customer of Aladdin's, and you and your money are going to come back soon!

(For another example -- completely different but using the same formula -- call our Action800 NationWide VoiceMail recorded information line. Listen carefully to the introductory material. You'll hear our name, slogan, positioning statements, benefits, and a request that you buy our services!)

Strategic objectives

Now let's back up to reconsider planning a blueprint to grow our business to give us a happy life. In some ways, this is becoming rather simple at this point.

Once you have a clear picture of the life you want, and the business (in the fullness of time) which will grant you that life, then just look at the business and ask yourself:

"If this is the business in the fullness of time, then what were the Strategic Objectives that I must have accomplished along the way?"

For example, if your envisioned business has three service centers, then along the way you probably first built one, then a second, then a third. So each of these must be a Strategic Objective.

If you had to start with building one, then where did the money come from? Raising the money may well be a Strategic Objective.

If you had to locate a property where you could build the first service center, then locating a property may be a Strategic Objective.

You have to make your own decisions about how much detail to provide. Too little and your plan's not complete enough -- it will seem vague. Too much detail and you get buried in the forest by the trees. Find a comfortable amount of detail so you have a clear and complete vision of the path to your completed business.

The question to ask is: "If I make each and every one of these Strategic Objectives, will I have the completed business according to the specification I've written down?"

When the answer is yes, your list of Strategic Objectives* is complete.

And you have a plan for creating your business. And your life.

Other Thoughts

The Error of Bigness

In our American culture, it's seductively easy to imagine that we must build our business B-I-G-G-E-R. It's automatic for us to think that. It's American.

But it may not be true, for a couple of reasons.

New problems arise with each new activity, each expansion. Now if your Happy Life consisted of your spending your life fixing new problems, this will be just great!

Otherwise, you may wish to minimize new problems.

So the rule of thumb is to build it just a tad larger than the minimum necessary. Don't do just the absolute minimum because you must make some allowance for trouble or chaos. After all, trouble and chaos are parts of life, so some will visit your business from time to time.

Here's an example: How much advertising is enough?

Advertising is adequate and efficient when it brings you just a few more inquiries than you need. For example, let's say you're running a very small, hedge-trimming business. If your ads bring you too many inquiries, you'll waste time (unpaid) talking to folks whose jobs you can't take on.

But if your ads bring only the minimum necessary to scrape by, and one month your truck blows a rod, where will the money come from? This is an unsafe way to manage a business.

* This list of Strategic Objectives is a fine basis for writing up a business plan for your enterprise. Even if you aren't going to borrow money, a write-up is beneficial -- it produces thoughtfulness, clarity, and a chart by which to navigate. Once the business plan is sketched in, then derive your Marketing Plan. The best guide we know for explaining how to construct a Marketing Plan is J. Conrad Levinson's classic 'Guerrilla Marketing.'

The correct amount of advertising is to be turning away just a few jobs each month. That way you've always got enough, and you can set some money aside for emergencies.

So add some advertising, or subtract some advertising, so that you're turning away just a few each month.

Another reason to Beware Bigness, is the following rule of thumb: "Cheapskate Rules."

This guiding principle is right-on much of the time. Not always, but entrepreneurs who generally act like cheapskates have a greater survival ratio. You should consider it, too. In addition to saving you money, it will save you time.

By the way, remember that it's often easier to put a dollar in your pocket by cutting expenses than by generating more income.

For example, let's say you sell wooden birdhouses, and you either manufacture them for \$2.50 each or you import them for \$2.50 each. And you sell them for \$10.

Do you get to keep \$7.50 for each one sold?

No, because you'll have advertising costs, telephone costs, and other costs. Let's say these add up to \$2.50 for each birdhouse sold, and you get to keep \$5 for each birdhouse sold. This is your pay for the work you do in running your business. In other words, you keep half of each sale.

Let's say you want to pocket an extra \$50 next month.

If you can cut expenses by \$50, you'll pocket \$50.

But if you hustle up another \$50 of income, you'll only pocket \$25. To pocket \$50, you'll have to boost income by \$100. So in general, this principle holds true: Cutting expenses can often be an easier way to pocket more than creating more sales.

Getting Out

It's so easy for us humans to get caught up in any game.

It's our nature.

Starting a business tends to become an absorbing game for most of us. But it's just one of the games in life.

Games can be fun, and they're the most fun when you can choose to play or not play. They're not as much fun when you think you're stuck in them. So here's a way to keep this viewpoint, so that you can enjoy the game of your business as much as possible.

In your initial business plan, don't stop with the creation of your business. That's only half the story.

Also be sure to include how you will end the business (or your involvement with it). In other words, don't just look to the day it exists, because ... then what?

Do you expect to run it for the rest of your life? If so, will you then pass it to your daughter? Your son? Give it to Goodwill? Make the spouse run it? What?

If you don't plan to run it for the rest of your life, how long will you run it and then how will you get rid of it. After all, if you have no plan, then it owns you just as certain as ice-cream melts.

Will you run it till you have a certain amount of money, then buy the cottage on Lake Bongo and collect stamps and make yogurt?

Will you run it till it's a certain size, then sell it?

Will you run it till you've bought a house, then take on a partner and let him have half the work and do that till you retire? Then what?

You see, no plan, who knows what will happen.

If you have no druthers as to what happens to you and your business, this is just fine. But most people are quite concerned ... Yet somehow make no concrete plan. Just 'someday I'll ...'

Make a plan to get in. Make a plan to get out.

Freedom is your reward.

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