

HOW TO DEVELOP YOUR BUSINESS

1. GET MORE FUNDING

If your business is up and running but needs more capital, you can rely on familiar options. However, funding an existing business still requires slightly different preparation.

- **PREPARE TO REQUEST MORE FUNDING**

Anyone who gives you funds wants to feel confident that their investment will pay off. Prepare a business case and financial statements to convince lenders, crowdfunders, or investors to fund your small business.

- **Make your business case**

- You'll need to make a solid business case for more funding. Produce a short statement with the total requested amount and specific reasons for it.
- Maybe your business is cyclical — like construction or education — and could use funding to get through expected slow periods. Or maybe it needs capital to invest in new machinery or launch a product line. Whatever the reason, update your business plan to include this stage of funding.
- A business case should give assurances that new funds won't be mismanaged. Include descriptions of your management team to highlight their skills and expertise.

- **Prepare financial statements**

- Display that your business is doing well with financial history statements. Show how your business has grown by reporting revenue, expenses, and profit over time. If you don't have a history of positive growth, explain why more funding will allow you turn it around.
- Prove you're financially responsible with a business credit report. If you've already applied for a DUNS number, you can get a business credit report from Dun & Bradstreet. Review your business credit file to make sure it's accurate before sharing it.
- Determine how much your company is worth today by performing a business valuation. This is the same process you'd go through if you were planning to sell your business. Valuation methods vary, but you can do a self-evaluation or seek out a qualified business appraiser.
- Show how your business will grow in the future with a forecast. Your business forecast can be based on intuitive judgement, quantitative analysis, or both. Show your projected revenue and expenses, and clearly explain how you arrived at those estimations.

- **CHOOSE YOUR FUNDING SOURCE**

- **Get loans, credit, or crowdfunding**

- Additional funding options for existing business are similar to funding options for a new business. You'll have the same general set of options, which include small business loans, credit cards, and crowdfunding.
- Existing businesses have the advantage of an established financial history with credit reports, business bank accounts, and internal financial reports. Lenders, investors, and even crowdfunders can use that information when they decide whether to fund your business.

- **Sell ownership in your company**

- If you decide to sell an ownership stake of your company, your business structure will determine your options. Remember, whenever you sell ownership in your company, you dilute the ownership of current owners.
- An LLC or a partnership can accept new members and give them a percentage of ownership in exchange for a capital investment. Just make sure you comply with your articles of organization and operating or partnership agreements. Then notify your state as necessary. Some states may require your LLC to be dissolved and re-formed with new membership.
- Corporations can sell shares of the company, so long as it's done in compliance with your articles of incorporation and bylaws. Again, notify your state if necessary.

2. EXPAND TO NEW LOCATIONS

Once you're ready to expand, update the marketing plan and confirm that your business is financially prepared. Then, make sure to comply with all laws, rules, and regulations in the new business locations.

- **PREPARE FOR A NEW MARKET**

- First, update your marketing plan with your new location in mind. Think about your target customer, sales plan, and competitive advantage. Add up any additional marketing and sales costs. Make sure your updated marketing plan is just as thorough as your initial plan.
- Compare your business to the competition, learn about the local market, and get a sense of the advertising market with size up.
- Next, review your business finances. Build a forecast that projects estimated costs and estimated revenue for your new location. Take a close look at your balance sheet to make sure you can cover the costs of expanding. If you don't have enough capital, you can try to get more funding.

- **LEGAL STEPS TO EXPAND YOUR BUSINESS**

Expanding your business to a new state, county, or city isn't very different from opening a new business there. You'll want to make sure you register your business with the right agencies and pay the appropriate taxes.

- **License, permit, and zoning rules**

- These rules vary across states and localities. Getting licenses and permits in new locations is similar to getting them in your home state.
- If you already have a permit or license from a governmental agency, check with the issuing agency to confirm you can legally operate in a new state. Also, see whether your new state, county, and city governments require a new license or permit. Start by visiting your state's website.

- **Foreign qualification**

- If you plan to expand your business to a new state, you might need to file for foreign qualification in that state. This process notifies the new state that your business is active there.
- To foreign qualify, file a Certificate of Authority. Many states also require a Certificate of Good Standing from your state of formation. Each state charges a filing fee, but the amount varies by location and business structure.
- Check with state offices to find out foreign qualification requirements and fees.

- **Pay taxes in new states and localities**

- If you do business in a new state as a foreign qualified business, you'll typically need to pay taxes and annual report fees in the new state as well as your home state. The process for foreign qualified businesses to pay taxes is similar to any other business that needs to pay taxes in the state.
- Keep in mind that not every state and locality has a sales tax. In addition, most states have tax exemptions on certain items, such as food or clothing. If you charge sales tax, you need to be familiar with applicable rates.

- **Pay taxes for online sales**

- If your business has a physical presence in a state — such as a store, office, or warehouse — you must collect applicable state and local sales tax from your customers in that state. If you don't have a physical presence in a particular state, you're not required to collect sales taxes.
- Determining which sales tax to charge can be a challenge. Many retailers use online shopping cart software that automatically calculates sales tax rates. Make sure your sales plan accounts for the various state rates.

➤ **Franchising**

- There are two primary ways you could expand your business with franchising.
- The first is to buy a franchise , which is similar to buying an existing business. This option tends to cost more upfront, but can be less risky than trying to start from scratch.
- The second way is to build your own franchise. Businesses that are good candidates for franchising have a few traits in common.
 - Product or service is superior and appeals to potential business owners
 - Concept and operations are easy to teach
 - Business is easy to duplicate in new markets
- Franchising has more costs than many other types of businesses. You'll probably need to pay lawyers, accountants, and advertising staff. Don't forget about training the employees and building systems you'll need to run the franchise.

3. MERGE AND ACQUIRE BUSINESSES

You can grow your business by buying or merging with a smaller business. The process is similar to starting a new business, but you need to take extra steps to protect your existing business.

● **Differences between mergers and acquisitions**

- Mergers and acquisitions are similar but have a few major differences.
- Mergers combine two separate businesses into a single new legal entity. True mergers are uncommon because it's rare for two equal companies to mutually benefit from combining resources and staff, including their CEOs.
- Unlike mergers, acquisitions do not result in the formation of a new company. Instead, the purchased company gets fully absorbed by the acquiring company. Sometimes this means the acquired company gets liquidated. Acquiring a business is similar to buying an existing business or franchise.

● **Calculate how much the other business is worth**

- Conduct a business valuation to determine the value of the other business before you agree to a sale. This is essentially the same process you'd go through to figure out how much your own business is worth before closing or selling your business.
- There are several ways to value a business, so do extensive research on methods if you choose to do it on your own. You might want to hire a qualified business appraiser. Once you know how much the other business is worth, you'll know whether you can afford it outright or if you need to get more funding

- **Make a merger or acquisition agreement**

- You must prepare a sales agreement to move forward with the sale or merger. This document allows for the purchase of assets or stock of a corporation. An attorney should review it to make sure it's accurate and comprehensive.
- List all inventory in the sale along with names of the businesses and owners. Fill in the relevant background details. Determine how the business will be run prior to close and the level of access each company will have to financial information. Note all adjustments, broker fees, and any other aspects relevant to the terms of agreement.
- Don't leave out any assets and liabilities, or this can create problems even after the sale has been finalized.

- **Transfer business ownership**

- The terms of your agreement will dictate which steps you must take to transfer ownership, and what that ownership will look like. It's widely recommended to have an attorney help with this step.
- After you've completed the acquisition or merger, you'll need to register these changes with state, depending on state law and business structure.