

## **Starting a Business**

In Plain English

Presented By Badger Bill Whyte

### **Part 1: What's next?**

#### **The Art of Creative Visualization.**

One never really knows what's next. But I believe it's possible to dream, imagine and plan for the ideal. This visualization process can provide a powerful road map to healthy business development.

When you prepare a typical business plan, that's an attempt to "visualize" in words and numbers what you are going to do and what's going to happen as a consequence.

For example: "I'm going to make and sell an herbal balm; people are going to buy them, and in 1 year I'll have made enough money to support our family and pay back any loans."

That's the bones of a business plan.

That's pretty much the unwritten business plan I had when I first started. I started on an intuition that my balm business could be a success. Three months into the business, I asked an accountant to help me figure out how many balms I actually needed to sell in a year (1996) to "break even". We did a "cash flow projection".

We figured out that I needed to sell 33,000 balms in that first full year. I was stunned. I left the office so depressed. How could that even be possible? My business was doomed.

But as I was driving home, I broke it all down in my mind – I had wooden display boxes that held 27 balms. That meant that I'd have to sell about 1200 boxes of balm in a year. That meant that I'd have to sell about 24 boxes per week. That meant that I only had to sell about 5 boxes a day! Not too bad! I figured I could do that!

So by the time I reached home I knew exactly what needed to be accomplished. I didn't know how I was going to do it, but I'm a good problem solver and I figured that I'd find a way. I also knew that if I failed and had to go back to carpentry, that would be OK too.

#### **Getting Advice.**

Generally speaking, if you are starting really small, I'd suggest that you be very careful about interpreting advice from experts. Some of them tend to be emphatically sure of the right way to do things. On the other hand, it's fun to show or explain your idea to a little kid...they usually have a very helpful response. Maybe combine the two.

As I was gearing up to launch Badger, I posed my dilemma (how to sell 33,000 balms in a year) to various friends and even to total strangers that I thought might have some relevant

business experience, I learned many things. I learned from my friend Joe that there are people called “reps” who drive around selling stuff. I learned that I could pay big bucks to attend a trade show and the stores would come to me. I found and commissioned a few reps. I went to a trade show in Baltimore and sold stuff. I went store to store. I even met with the buyers from store chains in the 70-150 store range and actually sold to them! It was a mini miracle! I sold almost precisely the amount of balms the accountant said I needed to sell to break even in the first year.

But nothing worked the way I thought it would. Like New England weather, everything changed almost every week as new ideas, opportunities and obstacles emerged.

### **How I Raised Money**

I showed friends and family a beautiful wooden box of Badger Balms. They like what they saw (a lot!) and they loaned me money. Badger is successful because of the support and generosity of family and friends. And I need to acknowledge the role that powerful “invisible forces” play when you set out to complete a task.

You can do everything right and fail. You can do almost everything wrong and succeed. The trick is to get a few pivotal things right...if only you could figure out what the critical elements are.

In our case, things worked out and Badger continues to flourish 17 years down the pike. Later, we'll talk about what Badger did right that made the difference.

In summary: Visualization is an important tool-perhaps it's the most important tool-toward creating a successful business. It does not guarantee success, but I believe it can lead to success.

I'd add that business development is also about continuous learning, persistence, creative problem solving, and flexibility under pressure. It's about learning to use your business as an expression of kindness and generosity. (I suppose there are many examples of mean and stingy businesses that are highly successful, but that's not our cup of tea, right?) Another element is to understand your weaknesses and strengths as they are and to find a way to maximize your strengths and minimize your weaknesses. One way is to join with others with complementary strengths to create a healthy team. After about 3 months in business, I couldn't figure out if I had billed people or if I had actually sent product to them. My business was on index cards in my pockets, on the floor, in my van. I hired a very organized part time office person who set us up on a computer and kept things organized, neat and tidy so I could focus on one of my strengths...selling. That made all the difference.

### **Starting Small**

I'm now a big fan of starting small. I didn't have a written Business Plan when I started, but I had worked out packaging, what I was going to sell the balms for, where I was going to get the tins, and how I would fill them. I didn't know where the money was going to come from and I didn't even know that I would need as much money as I eventually did need in the

first year! I probably would not have dived in if I had known the truth! I was lucky to be able to borrow from friends each time I ran out of money that first year! I was so clueless.

Here's the first thing I would suggest you do now to get started or to make things work better:

Write a story of what things will look like in your business five years down the road if everything has worked perfectly and you are a great success. You could dictate this to a recorder or tell this story to a friend while recording it if you don't like to write. Rich detail is good...you know, what the improved version of the packaging looks like; how happy your customers are; what your new office looks like; fancy new equipment; names of new products; key persons to help and what they do; excellent health and happiness...

This is a picture of where you are going. Now you can make a simple one or two page business plan that heads you in this direction.

I also believe it's important to visualize a few other things: while doing this business, how your health improves; how you become an even better parent, partner, friend; how you do good in the world; how you make a difference in people's lives.

### **The Financial Part**

You need to put some details into this plan by answering questions such as:

- How much money do I need to earn per year for this to be a viable business?
- How much will it cost to make each item?
- How much will I sell each item for (or what will I bill per hour if it's a service business)?
- What will my other expenses be?
- Therefore, how many balms must I sell to cover all of my expenses and be left with the amount of money I need to make?

Example:

1. I need to earn \$30,000 per year.
2. My cost per item is \$2.00 (in this case the cost includes raw materials, packaging and labor to produce each tin.)
3. I will sell each item for \$10.
4. My other expenses will be \$20,000

$X$  (how many items I need to sell)  $\times$  \$10 =  $10x$  -  $2x$  (\$2 per item cost) - 20,000 = 30,000  
 $8x - 20,000 = 30,000$   $8x = 50,000$   $x = 6250$

So, I need to sell 6250 balms in a year @ \$10 each (\$62500) to clear \$30,000. (Since we included labor in the balm, if you were the balm filler, you would also earn the salary for filling each balm.)

**If you are not good with math and accounting, find someone who is to help you work this out.**

Other questions to ask:

How am I going to sell this many widgets?

- What's my packaging going to look like?
- How the heck am I going to fill and label all this stuff? Will I need help?
- Did I include enough time and money in my estimate of labor?
- If I am giving stores 30 days to pay, how will I cover my needs for money while I'm waiting to be paid?

This simple Business Plan (I call it a Business Plan in Brief. I've done these every year for 16 years and even the bankers love them. Who wants to slog through 30 pages of numbers? Keep it simple. Get to the point. Identify what's important and significant and minimize the rest. This enables you to gather the resources you need and take the proper path to achieve your goals. As I've said before, in my version of a business plan, you also factor in your mental, physical and spiritual ideal for yourself and your loved ones as you follow this business path.

Too many entrepreneurs devote all of their energy to business success and they sacrifice health, family and friends in the process. You are trying to make ends meet, you believe all those hours are a temporary solution and you just lose track of what's really important. So in my experience, you want to create a business plan that enables you to be kind, protect and increase your personal health and welfare and enjoy your friends and family in the process. At Badger we say, Fun is Good.

You also need to accept that there are unknowns along the road. Anything can happen. Regardless of great planning, adequate resources and impeccable execution, the unknown can and probably will happen. So, an important part of any business is being prepared to respond in a kind, positive and effective way when things change.

Whoops. I got off track.

### **About starting small.**

I love this path. You do a mini micro business and you sell to friends. You learn what they like and what they don't. You figure things out on a small, minimal risk stage. When you have a handle on it, you go a bit bigger. Maybe you find a non-friend customer or a store to sell your wares. Brick by brick.

Then, write your business plan or revise an existing one. Now, you have a clue. You'd be amazed how much you will learn by actually starting your fledgling business!



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