Evaluating Your Business Idea©

These questions will help you and your business advisors examine your business idea and determine your potential for success before you spend time and money developing a business plan. You will evaluate your market, your competitors, your projected start-up costs, sales, expenses, and your financing. Your honest answers will provide insight into your business idea and identify areas of strength and concern. They will also help determine if you are ready to take the next step or need to re-evaluate your business idea. This is only a beginning and should not be considered as the final word when determining the feasibility of a new business venture.

By working through this relatively short checklist, you will be able to determine if your idea has the potential to create a successful business. The question you are attempting to answer is "Can my business sell enough products or services to make enough of a profit to be successful?" You will then be able to make an educated decision about going ahead as you planned or making some critical changes to allow you to reach your goals.

1. **Describe what you are selling and how it will benefit your customers. Explain how your products or services are different from the competition. Answer the question, "Why will people buy from me?"**

____
____
____

It is important that you can concisely and accurately describe your product or service in terms that your customers can understand and relate to. The ability to describe your product or service will be a critical factor in the success of your marketing and advertising. What are the things about your product or service that are important to your customer? What words immediately create an image of your business? For example, instead of saying "We sell plants and do landscaping and special designs and have a greenhouse and you know how important it is that plants are appropriate to Illinois climate and…" Try saying: We are a full service landscaping company with our own retail greenhouse that specializes in plants appropriate to Illinois climate."

2. **Briefly describe your management/technical experience with your product/service:**

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____
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Your chances of success decrease dramatically when you have little or no business management experience. If you hope to obtain a loan your experience in the particular business you choose will be one of the main criteria by which your banker will judge your qualifications.

Good management is the key to a successful business. Crucial areas are:

Marketing Strategies: This means knowing what kind of product or service to sell, how to target and reach your customers, and how to sell your product or service at a price that maximizes profits.

Technical ability: You must be able to get the work done and do it right, so you will have satisfied customers. If you are going into auto repair business, for example, you better know a lot about how to keep automobiles running right, or you will not be in business very long.

Financial Knowledge: While you do not necessarily have to be a financial wizard, you do need to know how to plan and control your business' cash flow; raise or borrow the money you will need to start your business; and get through tight periods without being caught short of cash. A certain amount of financial sophistication is becoming more and more important in today's increasingly complex financial world, even for the small business owner. Being able to focus on the bottom line and pay attention to the numbers is as essential as the ability to price your products and services, manage your cash flow, and make sure you collect payment for the work you do. If you are lacking in these skills, you can get training in business courses through books and magazines, and individual counseling, or hire someone to do it for you.

A marketing mindset: You aren't truly in business until you have business. No matter how much your product or service is in demand or how great a job you do, if people don't know about you, you won't have much business. You must be able to make your business visible to the people who need it and this means understanding marketing.

Self management skills: To make it on your own, you must become goal-directed and self motivated individual. You must be able to get yourself started every day, stick to business, and close the door at the day's end.

Time-management skills: In your business, you will need to wear many hats, from chief executive officer to janitor. You'll have to do the business, get the business, and run the business. This means you'll need to manage your time effectively to make sure the most important and urgent things get done in a timely fashion.

Basic office organization: Since one of the roles you'll probably play is that of your own office administrator, you will need to be able to organize, equip, and manage your office space so that you can work effectively in it, having a place for everything and keeping everything in its place so that you can find it easily when you need it.

Source: "The Best Home Businesses For The 90's", second edition, by Paul and Sarah Edwars.1994, published by G.P. Putnam's Sons

In addition, are you really sure that you are prepared to work independently? Many entrepreneurs report being overwhelmed with the number of decisions that they are called upon to make. They also report feeling isolated and lonely. Although they no longer report to an official "boss", they now have customers, bankers, and suppliers telling them what to do. Few new business owners have the time or money for anything other than work.

3. Which category best represents your primary group of potential customers?

☐ General Public ☐ Businesses
☐ Government ☐ ☐ Specific Industry

You need to determine whether the primary target group will include purchasers, users, or both. Keep in mind that it is very difficult to effectively market to two primary markets. Attempt to determine which target is the driving force and what makes up their purchase and usage behavior. Consider these five factors in your determination:

- The amount purchased and/or used
- The degree of influence on the usage and purchase decision
- The size of the market
- Who the competition chooses as its target market
- The inherent benefits of your product to one target or the other

Each category of potential customers will require unique marketing efforts and will have its own unique set of characteristics. Target market definition is the most important phase in preparing a business plan. Effective marketing is impossible without a thorough understanding of your current and potential customer base. The better the customer is understood, the better the business is able to fulfill the customer's needs.

A business plan provides a format that sorts current and potential customers into "segments". Segmenting allows customers to be grouped according to common demographic (ex. age, sex, education, marital status, household income, etc.), geographic (where they are located), product usage, and purchasing characteristics. This helps to determine which customer group is (or will be) most profitable and which has the most potential for your company. The end result of segmenting is that a company is able to focus its marketing resources at a target market that has common demographic and product usage characteristics, purchasing habits, and products or service needs. Instead of trying to be all things to all people, the company can direct its energies toward satisfying essentially one person as characterized by the target market segment or segments.

4. Select the criteria below that best represents the demographics of your customer:

If selling to businesses, which category(s) represents your primary customers?

☐ Agriculture/Forestry/ Fishing ☐☐ Mining
☐ ☐ Construction ☐ ☐ Manufacturing
☐ ☐ Finance/ Insurance/ Real Estate ☐☐ Retail trade
☐ ☐ Services ☐☐ Transportation/ Communications/ Public Utilities
☐ ☐ Wholesale Trade ☐☐ Other: ___________________________________

If selling to the general public, profile your customer by answering the questions and checking the boxes that apply below:

What is the percentage of the population that uses your product/service? __________%

Is your product designed for a: ☐ ☐mass-market ☐ ☐specialty market

Customer Age: ☐ Under 18 ☐ ☐ 18 – 34 ☐☐ 35 – 55 ☐ ☐ 55 +

Sex: ☐ ☐ Male ☐ ☐ Female ☐ ☐ Both

Race/Ethnicity: ☐ ☐ White ☐ ☐ Black ☐ ☐ Asian ☐ ☐ Hispanic Origin ☐ ☐ Other

Household Income: ☐ Under $ 25,000 ☐ $25,000 to $ 50,000
☐ $50,000 to $ 100,000 ☐ Above $ 100,000

Family Size: ☐ ☐ 1 ☐☐ 2 ☐ ☐ 3 to 4 ☐ ☐ 5 to 6 ☐ ☐ 7+

Home: ☐ ☐ Own Home ☐ ☐ Renting

Geographic Location: ☐ Urban ☐ ☐ Suburban ☐ ☐ Rural

Education Level: ☐ Did not graduate high school ☐ ☐ Graduated high school
☐ Some college ☐ Graduated college

Developing a profile of current (or targeted) customers allows you to determine if your company's customers are different from the general product category consumer. The similarities and differences will be important when determining future marketing strategies. A company may find that its products are consumed by a far older population than the general product category's consumer is. This information can be used in the marketing plan to further target this older age segment or to develop plans to attract more of the younger, mainstream consumers.

The traditional method of defining purchaser and user groups and segmenting markets is by utilizing demographic factors. Demographics can be determined for individuals or households. Markets also use lifestyle factors or psychographics to help develop target markets. Lifestyle descriptors help to define a customer segment in terms of attitude, interest, and activities of the consumer. Here are samples of the type of information you will want to collect for your target market:

- How many potential consumers exit?
- Has the number of consumers been growing or shrinking over the past 5 years?
- How many of these consumers will purchase your product?
- How is your product used? Are there multiple uses?

For some products, demographics aren't as important as why the product is purchased or how it is used. Many times purchasers with similar demographics purchase the product for different reasons. This offers the opportunity to segment consumers based on usage of the product. Baking soda is a good example: some purchase it only for use in baking; others purchase it only as a deodorizer, some for both purposes. Product usage that helps define the customer's usage is critical for how this product would be marketed to each of the groups.

Business-to-Business Marketing

Business-to-business firms typically have far fewer potential customers than do consumer companies. In addition, each business-to-business customer usually generates larger sales than does the typical consumer customer. As with consumer target markets, it is important to segment so you can determine which type of business is most profitable and has the most potential for your company.

5. Which category best describes the sales area for your product/service?

↑

☐ Sold locally	☐ Sold in two or more states
☐ Sold statewide	☐ Sold nationally (all or nearly all 50 states)
☐ Sold regionally	☐ Sold nationally and internationally

Determining your produce/service sales area is crucial in planning your marketing campaign, determining how you will provide customer service, how you will ship product to customers or make it available in wholesale/retail outlets, etc. If you are shipping product directly to customers, do you have a return policy in place? Do you understand mail order regulations? Will you have a "toll-free" number for customer service and complaints? How will you handle a remote sales force?

6. How do you plan to promote your business to potential customers?

____
____
____

Most small business owners find it easy to start a business. They understand the technical aspects of their product or service but often stumble when trying to find the customers. There are five basic ways to reach customers: advertising, personal selling, public relations, publicity, and sales promotion. Resources you can use include business cards, yellow pages, direct mail, personal contacts, trade associations, newspapers, magazines, billboards, radio, and television. The mix you choose will be dependent on your available money, competitive factors and customer expectations.

7. How many competitors do you have? ________("None" is not an appropriate answer.)

Every business faces competition from direct competitors selling the same or similar product or service and from indirect competitors selling substitute products and services. You must be able to identify who and where these competitors are so that you can study their individual strengths and weaknesses, and identify opportunities and threats that may present themselves to your business. Knowing your competition will help you differentiate your business and assist in the identification of markets that are under-served or show the greatest promise for success.

8. Who are your five primary competitors?

ame and Location	Number of Employees	Years in Business	Why Do Customers Buy From Them?

To be successful, you must constantly monitor your most important competitors. Not only can you learn from their successes and failures, but you can also learn how to better position your products and services against them. Information can be gathered from newspaper articles, advertisements, conventions, trade shows, customers, vendors and personal visits to their businesses. Create a file to track each competitor.

9. What would you expect your annual salary to be from your business? $______________

(Hourly wage $_______ x 2080 hours = Annual Salary)

As the owner of a small business, you need to establish an annual salary for yourself based on what the business can afford. You need to budget your annual salary so it can be included in your total business expenses, calculated into your selling price and used to determine your sales breakeven point. This will help you arrive at a reasonable level of compensation without putting your business at risk by taking too much money out of the company. This calculation will also make you aware of the hourly cost associated with your annual salary, the number of hours you have available in a work year, and the value of your time.

10. Estimate your start-up costs using Worksheet 1 below:

Before your business can earn money, you will need to invest money in start-up costs. These cost are paid just one time and do not include your normal monthly expense.

This worksheet will help you estimate your start-up costs. List the cost of items you have already purchased in the "purchased" column and those you still need in "needed" column

Worksheet 1: Start – up Costs

One Time Requirements Before Start – Up	**Items Already Purchased:**	**Items Still Needed Before Start-up**
Legal, Accounting & Professional Services	$	$
Advertising & Promotions	$	$
Deposits for Utilities	$	$
Licenses & Permits	$	$
Prepaid Insurance	$	$
Salary & Wages	$	$
Payroll Taxes	$	$
Truck & Vehicle	$	$
Travel	$	$
Tools & Supplies	$	$
Furniture & Fixtures	$	$
Machines & Equipment	$	$
Building Improvements	$	$
Land & Buildings	$	$
Starting Inventory	$	$
Cash (Working Capital)	$	$
Other (Specify)	$	$
TOTAL	$	$

TOTAL ESTIMATED START – UP COSTS (add both columns together) $________________

Estimating your start-up costs is critical to getting started. These are one-time costs incurred prior to beginning your business operations. These costs will help you determine how much money is needed to launch and maintain your business until you generate enough sales to cover normal operating expenses.

Legal, Accounting & Professional Services – professional fees associated with registering your legal form of business, reviewing contracts and agreements and preparing financial information for your business plan. Also includes consultants and other professionals.

Advertising & Promotions – includes all promotional costs associated with "opening" your business.

Deposits for Utilities – advance payments required to obtain electric, gas, telephone, water and sewer.

Licenses & Permits – fees for licenses, permits and other requirements related to starting your business and making its operations legal.

Prepaid Insurance – advance payments required to obtain business insurance that protects the contents of your business against fire, theft and other losses.

Salary & wages – payroll to owner and employees for training and business setup "prior to opening" the business.

Payroll Taxes – usually 10-15% of gross payroll costs.

Truck & Vehicle – includes mileage, parking, tolls, etc. "prior to opening" the business.

Travel – include conference, hotel, meal and transportation charges for securing prospective distributors, suppliers, and customers.

Tools & Suppliers- services, supplies and tools purchased for use in the business. ("Prior to opening")

Furniture & Fixtures- acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Machines & Equipment- acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Building improvements- include costs of structural changes, repairs, HVAC upgrades, painting and decorating.

Land and Buildings- include the down payment for lease, rent or purchase and deposits required.

Starting inventory – include acquisition cost plus transportation.

Cash (Working Capital) - amount of money you will need to maintain your business until you generate enough sales to cover normal operating expenses.

Other (specify) - include those start-up costs that may be unique to your business and do not have an account listed on the worksheet.

11. What do you expect your annual Revenue (Sales) to be in the first year? $_________

To help determine this estimate, please answer the questions below:

a. How many different customers do you anticipate serving in a 12-month period? ______
b. How many times in a 12-month period will the average customer return to purchase something? ________
c. How much will the average customer spend on each visit to your business? $_______
d. Multiply (a) x (b) x (c) = Estimated annual Revenue (Sales)

Estimating your annual Revenue (Sales) will help you set goals for your business and provide you with tools to manage your day-to-day operations. The Revenue (Sales) estimate is based on three factors: 1) the number of different customers you anticipate serving; 2) the number of times the average customer will return to purchase something; and 3) the average expenditure each customer will make per visit. By monitoring each of these factors on a daily, weekly and monthly basis, you will know if your business is on target to meet its sales goal or if adjustments must be made to increase sales or decrease expenses.

12. Estimate your annual sales and earnings using Worksheet 2 below:

Forecasting "Sales and Earnings" is important for your financial success. It may take several years before your business begins to generate "satisfactory" profits but your sales goal should be to breakeven (match sales with expenses) by the end of the first year and show modest profits for Years 2 and 3. **Do not include start – up costs on this worksheet.**

Worksheet 2: Sales and Earnings

	1st Year	**2nd Year**	**3rd Year**
Total Revenue (Sales):			
Less: Cost of Goods Sold			
Gross Profit:	$	$	$
Less Expenses:	$	$	$
Salaries & Wages	$	$	$
Outside Services	$	$	$
Office Supplies & Postage	$	$	$
Dues & Subscriptions	$	$	$
Donations	$	$	$
Rent	$	$	$
Telephone	$	$	$
Utilities	$	$	$
Loan Payments	$	$	$
Interests	$	$	$
Depreciation	$	$	$
Advertising & Promotions	$	$	$
Truck & Vehicle	$	$	$
Travel	$	$	$
Payroll Taxes	$	$	$
Taxes, Licenses & Permits	$	$	$
Legal & Accounting Services	$	$	$
Insurance	$	$	$
Repairs & Maintenance	$	$	$
Bad Debts	$	$	$
Miscellaneous (unspecified)	$	$	$
Other Expenses (Specify each)	$	$	$
	$	$	$
	$	$	$
Total Expenses:	$	$	$
NET PROFIT	$	$	$

Revenue (Sales)- use the formula provided in Question 11 to estimate annual revenue for each year.

Cost of Goods Sold- estimate the cost of sales for the sales for the sales found under Revenue (Sales). Include labor used to produce the product or service (direct labor), materials used in the final product or service (direct material), and their transportation and handling costs.

Gross Profit- Total Revenue (Sales) minus Total Cost of Goods Sold equals Gross Profit

Salaries & Wages- Base pay plus overtime and bonuses, include owner’s draw on this line item. (NOTE: For purposes of estimating net profit, it is important that all costs, including owner’s draw, be part of the projection)

Outside Services- includes cost of sub-contracts, overflow work farmed out, special or one time purchase of services.

Office Supplies and Postage- services and items purchased for use in the business and not for resale.

Dues and Subscriptions- include subscriptions to professional, technical, and trade journals that deal with your business field. Also include membership fees.

Donations- gifts to charitable or non-profit organizations

Rent- includes only real estate used in the business. List equipment and other rentals under “Other Expenses”

Telephone- includes all line charges associated with fax, Internet, and telephone.

Utilities- water, sewer, gas, electric, etc.

Loan Repayments- include interest and principal that must be paid to lender. (NOTE: For purposes of estimating net profit, it is important that all costs, including principal paid, be part of the projection).

Depreciation- If property you require to use in your business has a useful life of more than one year, you generally cannot deduct the entire cost as a business expense in the year you acquire it. You must spread the cost over more than one tax year and deduct part of it each year.

Advertising & Promotions- includes all the costs associated with making your products and services known to your customers.

Truck & Vehicles- including mileage, parking, tolls, etc.

Travel- business trips- include conference, hotel, meal and transportation charges

Payroll Taxes- Include paid vacations, sick leave, health insurance, unemployment insurance, Medicare and social security taxes. (Note: Usually 10 – 15 % of gross payroll). Taxes, Licenses & Permits- excise tax, inventory tax, real estate tax, sales tax, other non-payroll taxes and licenses or permits fees as applicable.

Legal & Accounting Services- include cost of outside professional services.

Insurance- includes Commercial General Liability, Property, Commercial Auto, Workmen's Compensation, Umbrella policies and Bonding. (Note: Does not include Health Insurance).

Repairs & Maintenance- regular maintenance and repair, includes painting and decorating.

Bad Debts – A business bad debt is a loss from the worthlessness of a debit that was created or acquired in your trade or business, or is closely related to your trade or business when it became partly or totally worthless. A debt becomes worthless when there is no longer any chance that the amount owed will be paid.

Miscellaneous (unspecified) - Small expenditures without separate accounts.

Other Expenses – tools and equipment that are expensed (not set up on a depreciation schedule); and payments for leased or rented equipment.

13. Calculate your sales breakeven point: $___________________

Sales Breakeven Point = Total Expenses* / Gross profit Percentage***

*Total Expenses: found at the bottom of "Worksheet 2: Sales and Earnings," on Question 2.

**Gross Profit Percentage: percentage difference between the selling price of a product or service and its cost. (Note: It is recommended that your gross profit percentage be at least 15% or higher.)

Example: Total expenses of $35,000 divided by profit percentage of .15 + sales breakeven point of $233,333.

The "Sales Breakeven Point" tells you the amount of sales that must be made to cover all expenses identified on "Worksheet 2: Sales and Earnings," found in Question 12. Once you've figured your breakeven point, you can begin making plans to achieve your sales goal. The "Total Revenue" (Sales) that you will need to breakeven at the end of the year is equal to your "Gross Profit Percentage."

14. An alternative way to determine if you can meet your financial obligations:

a. Project your average total monthly revenue (sales): $_______________

b. Project your average total monthly expenses: $_______________

Subtract b from a = $_______________

These monthly averages are obtained from information found in Question 12, "Worksheet 2" Sales and Earnings." Divide "Total Revenue" and "Total Expenses" by 12 to obtain a monthly average for each. Subtract the monthly expenses from the monthly revenue (sales) figure to obtain the monthly net profit or loss. This number will help you determine if your monthly revenue (sales) forecast is realistic in relationship to your monthly expenses.

15. a. How much money is needed to start your business? $__________________

Use "Total Estimated Start – Up Costs" from Question 15a.

b. Where will you find money for your business?

Personal Savings	$___________	Family and Friends	$___________
Bank Loan	$___________	Retirement Account	$___________
Investor (s)	$___________	Partners	$___________

Most small businesses are started with the owner's savings. If you have equity in your home, you may need it for your equity investment in the business (see Question # 17) as well as collateral on a loan. A second commonly used source of funds is family and friends who might loan you money or invest in the business.

Outside funds come into the business as either debt or equity. Debt occurs when you obtain a loan from a bank or another source, which must be repaid to the lender over some period of time, usually at some specified interest rate. Whether the business succeeds or fails, you will be responsible for repaying the loan. On the other hand, equity funds come into the business through one or more investors who in turn own a share (perhaps even majority share) of the business. The investor-owners may take part in making decisions, and will take a share of the profits. Investors usually require a high rate of return because they are taking the business risk with you. Should the business fail, they lose that investment because you do not have to repay it as you would a loan.

Banks are not enthusiastic about making start-up loans for new businesses, and venture capitalists/investors are very rarely interested in a new, small business. Potential business owners frequently have to put their plans on the back burner while they save additional funds to start the business. Prospective business owners frequently ask about obtaining grants to start their businesses. The following information details the availability of grants.

<u>Getting a Grant to Start Your Business</u>

These are numerous "consultant," books and infomercials that happily announce that the government (state and federal) has millions of dollars available in the form of grants and all you need to do is ask for the money.

The reality is that there are almost no programs (public or private) that provide "grants" or "forgivable loans" to start a for-profit business (e.g., one designed to create personal wealth for the owners). As a rule, a for-profit business (as opposed to a not- for-profit organization) would not qualify for any of the grants programs operated by Illinois government agencies or private foundations. Most grants available from Illinois State agencies are to local governments to address issues such as sewers, water distribution systems, infrastructure improvements, and for schools/education. Grants given by private foundations fund not-for-profit agencies to perform specific activities that are aligned with the mission and goals of the foundation.

The confusion generally comes from the fact that there are billions of dollars available in the form of grants and forgivable loans from federal and state agencies, and private foundations. It's important, however, to understand three key points about grants.

NEED: The fundamental point that many people don't understand about the grants is that the money is available to solve societal problems or address societal opportunities. Improving the competitiveness of U.S. industry, or employing people with disabilities, low income housing, health care, or recycling trash into a useful new product are all issues that might receive grant funding because they address long felt societal needs. However, starting a retail or service business or designing/ manufacturing a retail product is typically not eligible, unless special circumstances are met, such as to finance a store in which 60 percent of its employees have special needs.

Also, few (if any) organizations will be willing to use their very limited funds to assist in creating a business designed to create personal wealth for the owner(s).

RESPONSIVENESS: The second fundamental point is that the application for grant funding must be aligned with the goals of the granting organization's needs and requirements. Each agency or foundation has specific goals and outcomes linked to their funding and an application for a project that does not match the agency's funding criteria will not be considered.

For example, suppose an entrepreneur decides to open a daycare center that will employ people with autism for up to 60 percent of its work force. And suppose further that daycare center is designed to have 80 percent of its children from homes with single mothers on welfare who want to return to the workforce. All of this sounds good: but if the entrepreneur does not have a strong business plan for the daycare center, AND a plan for dealing with the needs of single mothers moving from welfare to work, AND a plan for working with people with autism, AND experience in all of those areas, then the plan is not likely to be funded even if a granting agency could be located.

COMPETITION: The lure of "easy" money has strong appeal, but the image of grants is false. As an example, the typical Small Business Innovative Research (SBIR) topic has ten competing applications for the same pool of money. This is true for state, federal and private programs and organizations- competition for grant money is just as strong as competition for loans in the private sector.

Most private foundations, the primary source of grant money, have specific societal issues that they focus on (ex. health care, education, housing, etc.) and do not fund projects outside of their focus area. Most foundations also require that the applicant be a not-for-profit (many require that the applicant be a federally designated tax-exempt, not-for-profit 501c3)

Check with Illinois Department of Commerce and Economic Opportunity (DCEO), http://www.ildceo.net/dceo/, for what programs are currently available.

You should be aware that financing institutions require that you have a business plan. If you need help in preparing a business plan, setting up your financial records, etc., contact the Business Solutions Center at Eastern Illinois University (217-581-2913) or the local SCORE office. These offices can provide insight into preparing a business plan and will have information on classes and training that will be available in your area.

16. How would you rate your personal credit?

   Excellent   Good   Average   Poor

One of the first criteria your banker will look at is your credit rating. A bankruptcy will complicate the possibility of your receiving a loan. A poor credit history will also limit your possibilities of obtaining a loan. Most bankers now use a rating system in which points are assigned for the various aspects of your credit history. The number of points your credit history accumulates determines your loan status. Above a certain number, the loan may be approved. Below that number, it will be rejected. (You may obtain a copy of your credit report to review and correct any misinformation prior to talking to your banker.)

Bankers will also look at your character. How likely are you to make an effort to repay this loan? Have you ever been arrested, indicted, or convicted of any criminal offense other than a minor motor vehicle violation?

They will then look at collateral. If all else fails, what do you have of value that they can take possession of and sell to raise funds to pay off your debt? Their first choice is usually a second mortgage on your home. Major equipment, inventory, or real estate may also serve as collateral.

To get a copy of your credit report, contact the Consumer Reporting Agencies (CRAs) listed in the Yellow Pages under "credit" or "credit rating and reporting." Because more than one CRA may have a file on you, call each until you locate all the agencies maintaining your file. The three major national credit bureaus are:

Equifax, P.O Box 740241, Atlanta, GA 30374-0241; (800) 685-1111.
Experian (formerly TRW), P.O. Box 949, Allen, TX 75013; (888) EXPERIAN (397-3742).
Trans Union, P.O. Box 1000, Chester, PA 19022; (800) 916-8800.

17. Most financial institutions will require that you produce a minimum of 20%-30% of the total estimated cash needed for start-up costs. This is referred to as your owner equity/investment in the business.

  I have this money or access to it.
  I have some but not all of the money required.
  I have no money to invest in this business.

When borrowing money, you will be expected to have at least 20% (some lenders will require as high as 50% owner's equity) of your own money invested in the cost of starting your business (see question 10, "Worksheet1: Start-Up Costs).

Example: Estimated cash needed for start-up costs = $ 25,000. If the bank requires a 20% owner's equity /investment (cash) to secure the loan, you will be required to contribute $5000 of your own money before they will loan the reminder of $20,000.

NOTE: For best results in using this evaluation, please answer each question to the best of your ability. When you have completed it, you are encouraged to seek the professional assistance of the EIU Business Solutions Center's Business Counselor or a SCORE volunteer in your area. These professionals can help you interpret your results and provide you with resources to further explore and develop your business idea. To contact us visit our website at www.eiu.edu/bsc or call 217-581-2913

Business Counselor Notes: