

5 Big Mistakes Small Business Owners Make

The first year of running a new business means a steep learning curve. Keeping an open mind and listening to the voices of experienced entrepreneurs can be helpful. However, listening to the loudest or 'wrong' voices can be lethal!

Here is some advice about how to steer around the deepest potholes.

Mistake #1: too much enthusiasm! More than high energy, entrepreneurs need a **plan**. Most times when I ask for a marketing plan or business plan, I get a blank stare. Not good!

Taking the time to investigate the market and target the right customers, knowing the competition and other basics, will pay off royally. Take the time to answer one simple question: **How will you make money?**

Tom Berry, president of Palo Alto Software, points to the case study of losers. The video store on the corner, the one you've seen open and shut in record time. Some starry-eyed owner rents the space. Now he's got fixed monthly overhead well before opening. He then spends his money on zippy decor and advertising. Then he needs cash registers, business software and store signage.

Then he has to stock the shop and he is tapped out. The store opens with trendy décor and little inventory. And, there's no money left for real marketing.

Before 6 months is up, the video store is closed. The lesson: Don't quit your day job without a plan.

Mistake #2: Selling way too cheap. Ask a child to choose between 12 rhinestones and a diamond and she'll go after the rhinestones every time. Startup owners are just like that. They fall for quantity over quality every time. They figure rock bottom prices will create sales volume and they'll be millionaires overnight. Not!!!

"New entrepreneurs are notorious for pricing their goods and services too low," says Linda Hollander, author of "Bags to Riches", a business handbook for women. "This dooms them to a life of always worrying about money."

Before pricing products, **DO THE MATH!** Calculate fixed and variable costs. Research market and competitive price points. Develop your competitive edge proposition. Don't sell diamonds for the price of rhinestones.

Mistake #3: Starting a business for the thrill of it. Entrepreneurs tend to be "big-picture" types. So, they often engineer a crisis, just to get back in the game and feel the rush of adventure.

"Entrepreneurial boredom is the killer of seemingly healthy small businesses," says Ralph Warner, author of "Drive a Modest Car & 16 Other Keys to Small Business Success". The purpose of a business is to make money. If you come alive only by jumping off a cliff, take up bungee jumping! The lesson: Don't start a business to find life on the edge!

Mistake #4: Clueless About Marketing. Startups rarely plan or budget for marketing because new owners think marketing is an unnecessary expense. Or they confuse marketing with sales.

"Marketing worries about sales tomorrow. Sales closes sales today," says Rob Gelpman. You cannot skip the marketing step.

Underlying this mistake is a lack of experience about the drawn-out process of a typical sales cycle. The lesson here is: *Don't try to close deals before getting out your message.*

Mistake #5: Blowing Through Your Capital. New business owners usually underestimate their financial needs. Inexperienced owners overspend at the outset, buying more office furniture, technology, office supplies or advertising than they really need to get up and going. The lesson: Don't be rash with cash!