



NECOG Development Corporation

RLF Quarterly Newsletter

July 2011

Why Do Businesses Fail?

I ran across this information while searching for articles for this newsletter. Unfortunately I can't give credit to the originator of this article as none is mentioned. However this is a good review of several reasons why businesses do fail.

Anyone of the below reasons can cause your business to fail, but combine two or more and your business is in hot water. But if you do your homework, none of them should apply to you.

1. No planning and poor management

Statistics cite that over 80 percent of businesses start without a business plan. Perhaps that is why over 80 percent of businesses fail. If a business plan is not in place, then poor management is bound to follow.

The term "management" covers many areas, from financial planning, sales and advertising methods, correct buying of inventory, control of overhead costs, staff control, administration, and awareness of changing markets, competitors, and trends. Can you cope with all this? Ask yourself whether you are ready.

2. Poor cash flow/undercapitalized

"Cash flow" describes the movement and flow of money within the business. Opinions vary about how much money you need to start and maintain a business in the first year. The very minimum you will need is enough to support the business and personal commitments for the first three months or longer. A much more sensible rule of thumb is to have a financial reserve that will cover all your costs and expenses for at least nine months.

Know where your financing will come from. What the terms of repayment are, and whether the business can afford the repayments during the first year or two. If you cannot afford to borrow-then don't. Rethink your business plan before making final decisions.

3. Poor location

People often locate their business in the wrong areas for the wrong reasons. They make their choice based on cheap rent (and why is the rent cheap?), or because the size or layout of the building suits their purpose. Studies show that the average consumer will not travel more than three blocks out of his or her way, particularly if the same product can be purchased at a closer location.

4. Inadequate marketing plan

With small and home-based businesses, marketing is usually cited as one of the largest hurdles faced by the owners.

With the abundance of mega-malls, chain stores, and small business openings, your business must fill a need and a niche in the marketplace. A marketing plan is an integral part of your business plan. It should be clear not just in your head, but also on paper, showing how you are going to market your business. This information can be documented only after thorough market research has been completed.

5. Competition not researched

Only so much business can be generated in one geographical area. Too many stores offering the same service eats into one another's profits. Each will struggle to make a living, offering profit-draining specials to entice consumers. Ensure you study and know your town or marketing area intimately before opening your business.

Ask yourself: what more can you offer than your competitors? Product saturation and competition go hand-in-hand. Researching your competition is a must. Can you compete with large chain stores or well-established outlets? What can you offer that is different? Don't limit yourself to current competition: think about the future. What will happen to your business if a large store selling your product or service cheaper opened up within a few blocks of you? *(continued on page... 2)*

QuickBooks

Small Business Development Center (SBDC) will be offering QuickBooks workshops. QuickBooks is a great way to collect your information AND have it readily available during the year to help you better manage your businesses. Whether you are just considering an accounting software package or are currently using QuickBooks, you will find helpful information in these classes.

The Basics: Designed for those considering a computer-based accounting system or those QuickBooks users who are using it in their business but feel they could benefit more. Topics covered include: Chart of Accounts, Items, Customers, Vendors, Invoicing, Check Writing, Bills, and Reports.

Inventory & Payroll: This training will provide an overview of how inventory and payroll are processed and the basic concerns to be addressed when setting up and using these features. Topics covered include: Inventory Items, Inventory Types, Purchase Orders, Payroll Items, Payroll Checks, Payroll Liabilities, and Reports.

Register today, slots fill up fast!

QuickBooks

DATE: Thursday, Aug 11, 2011

TIME: **The Basics:** 9:00 am to 12:00 noon

Inventory and Payroll: 1:30 pm to 4:00 pm

LOCATION: Smart Center, Aberdeen, 416
Production Street (1/2 mile north of RDO
Equipment Company)

FEE: \$45 per person for one class; \$80 per
person for both classes. Late fees apply
after August 2nd

Register Now

Registration can be done by contacting the
SBDC in Aberdeen at:

Email: kweaver@midco.net

Phone: (605) 626-2565



(Why Do Businesses Fail?... continued from page 1)

6. Wrong choice of business

Some people think they can take a business and do better than the last person. Don't fall for promises of a quick return for little outlay and minimal work. These promises are found in many advertisements, and they belong in the fiction section.

7. Business grows too quickly

Sudden growth may mean that your location is no longer suitable, and moving a business is costly. Additional inventory requirements, staffing, machinery or equipment upgrading – all must be paid for with profits. ◆

New NECOG-DC Financing

J & M One Stop Shop

Owners: Jim Tolley and Mariah Paquet

Location: Mobridge

Purpose: Purchase/renovation existing business.

Offers: Automotive services

The Sage House

Owners: Deb and Jon Huntsinger

Location: Ipswich

Purpose: Purchase/renovation existing business

Offers: Restaurant and full catering services

DiGi Photo (Artz Camera)

Owners: Bob and Diana Guhin

Location: Aberdeen

Purpose: Purchase and renovation of building

Offers: Full camera and photography needs

CS Fencing

Owners: Cody and Karla Schultz

Location: Hitchcock

Purpose: Equipment purchase

Offers: Installation and removal of fencing

The Game Store

Owners: Chris Hein and Brennen Bollinger

Location: Aberdeen

Purpose: Business startup

Offers: New and used games and gaming equip

Natural Hearing Center

Owners: Guy and Amanda Weyer

Location: Aberdeen

Purpose: Business startup

Offers: Full range of hearing services



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How Introverts Can Be Better Networkers

By: Ivan Misner as published on *Entrepreneur.com*, July 7, 2011.

A common assumption that isn't necessarily true is that an extroverted "people person" is the best type of networker. While an extroverted person might be better at meeting new people, someone who's more introverted can be better at the second part of business networking -- communicating his or her ideas and forming meaningful relationships.

In my experience, introverted people tend to be better listeners and ask more questions, which are essential factors for getting to know a person and his or her business. But far too often, introverts eliminate themselves from the benefits that come from networking and relationship-building because they aren't comfortable initializing conversations.

Consider me, for example. One evening during a dinner conversation with my wife I mentioned something about my being an extrovert. She looked at me and said, "Um, honey, I hate to break it to you but, you're an introvert."

An introvert? A networker like me? I laughed, but she insisted I was, and she outlined all the ways I have introverted tendencies. So, I went online and took a personality test. It determined I am a "situational extrovert," that I am a loner who is reserved around strangers but outgoing in the right context.

It struck me then that I started the BNI networking organization almost three decades ago because I was naturally uncomfortable meeting new people. I found that the smaller, more intimate approaches to building a network enabled me to meet people in an organized, structured networking environment that did not require that I actually "talk to strangers."

While there are numerous techniques that can help make networking easier for introverts, here are three that can get you meeting new people now and building valuable relationships for the long haul:

1. Be an 'ambassador.'

If you feel uncomfortable approaching strangers at, say, a chamber business mixer, you can volunteer to be an ambassador for that group. In this role, you are in effect a host for the chamber, which makes it easier and more natural for you to greet people and say, "Welcome to our event. My name is [your name]. I'm an ambassador for the chamber and . . ." Before you know it, the ice is broken and you're engaged in conversation.

2. Get involved.

Opportunities to learn the art of networking abound, and often in places you may not have considered. Do you do volunteer work for a cause you feel passionate about? You can help organize committees, recruit other volunteers (on the phone or in person) or help solicit donations for your group's worthy cause. You start off talking about the project and the next thing you know you're chatting about any number of topics.

These can be effective opportunities for meeting new people -- many of whom could be future clients.

3. Be an influencer.

Another way to break the ice is by speaking formally to a group about a specific topic. People have become great networkers by joining a parent-teacher association, where there are opportunities to speak on behalf of the children, or by speaking at a political event for a local or national aspiring candidate. Once you have presented the platform of a political candidate to a group of voters that you can sway with the power of your words, you can present yourself, one-on-one, in an equally engaging manner. *(continued on page... 4)*

(How Introverts Can Be... continued from page 3)

Bottom line: Networking is a skill that can be learned no matter your level of gregariousness. If you remain ill-at-ease in environments where you have to mix and mingle or meet new people one-on-one, you can take steps to interact with people in other ways to help break the ice. You'll find that when you learn ways to handle these situations, you'll become more relaxed and confident in a networking setting. ◆

Support for Farm and Ranch Entrepreneurship Available

By: John Crabtree, Center for Rural Affairs, July 1, 2011

Perseverance and dedication to entrepreneurship helped small businesses on America's country roads and small town main streets create nearly one million jobs while big business and industry were still shedding workers during the last recession back in 2001-2003. Rural entrepreneurs led the nation out of our last recession and can do so again.

Fortunately, the United States Department of Agriculture is accepting applications for \$37 million in Value Added Producer Grants to develop value-added agricultural business venture. August 29, 2011 is the application deadline. Creating value-added ventures fosters entrepreneurship, expands rural economic opportunities, creates jobs and keeps wealth in rural communities. These grants will promote business expansion and entrepreneurship by assisting farmers, ranchers and producer-owned

NECOG Development Corporation
PO Box 1985
Aberdeen, SD 57402-1985
Phone: (605) 626-2595
Fax: (605) 626-2975

businesses in starting and expanding ventures that increase the value of raw farm and ranch products. Marketing unique and high quality food products also adds value. Many consumers will pay a premium for locally produced, high-quality, natural or organic farm-raised products.

For example, Pinn-Oak Ridge Farm received a \$150,000 grant to brand and direct market their pasture-raised lamb allowing them to expand their market from 40 restaurants and grocery stores in Wisconsin and Illinois to 60.

These grants are popular and competitive, but help is available. Farmers and Ranchers can call the Farm Bill Helpline at (402) 687-2100 to speak to a real person who is knowledgeable about the program. The Center for Rural Affairs has also created Value Added Fact Sheets and other additional information, which can be accessed at <http://www.cfra.org/node/2672> and http://www.cfra.org/resources/vapg/fact_sheet.

◆ On the Web

Come and visit the new website for the Northeast Council of Governments (NECOG) and the NECOG Development Corporation (NECOG-DC) at www.necog.org. While we've launched our website, it's still evolving. If you've any suggestions or comments, we would like to hear from you.

If you would like additional copies of this newsletter or past copies of others, please go to <http://www.necog.org/newsletters.asp>.