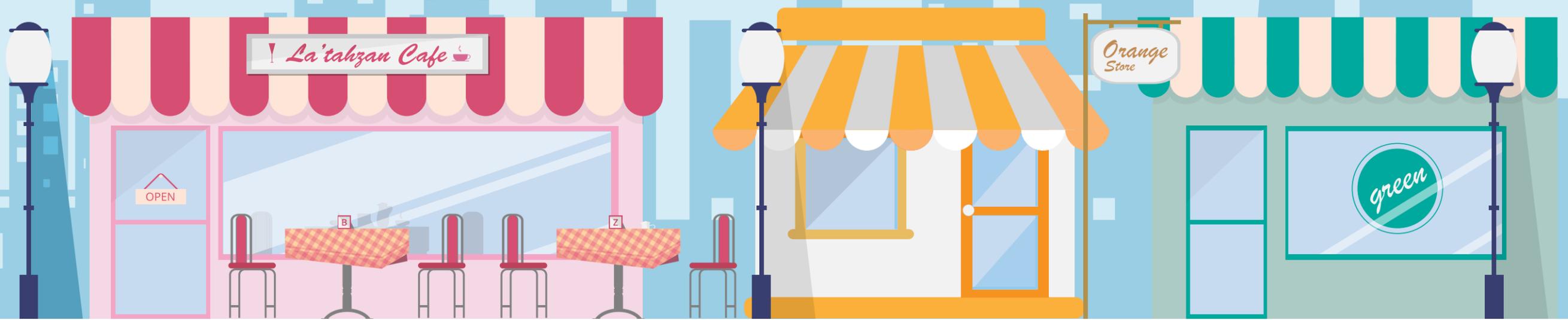


8 **Critical** Mistakes Small Businesses Make And How To Avoid Them

We asked 500 small business owners



Mistake # 1

Not knowing who your best customers are

It's common to think that all customers are good for business. Our research shows that the most successful small business owners first understood who their **best** customers were and focused on acquiring more like them.



HOW TO AVOID IT

Step 1

Look at your past customers and identify 10-20 that you absolutely loved working with. Also be sure to factor in how profitable those customers were.

Step 2

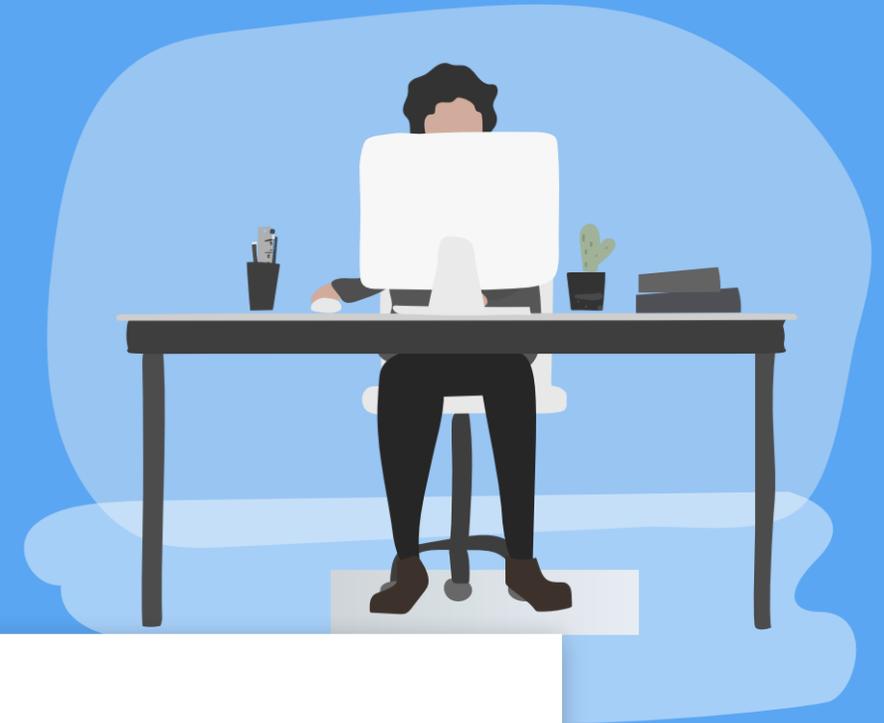
Write down personas based on those customers. These personas can include their location, age range, occupation, interests, motivations, frustrations, and influences.

Step 3

Adjust your marketing efforts to reach the core demographic that you have defined.

Thinking success will come overnight

Rome wasn't built in a day, and a successful business isn't either. Of all the small businesses we surveyed, one key thing set the successful ones apart: **working around the clock within the first few years.**



HOW TO AVOID IT

Step 1

Create a 12-month plan with realistic goals on where you want your business to be.

Step 2

Outline the resources that you will need to make it happen. Finances are a critical piece in this. Owners we surveyed either saved up money they needed during the 12 months leading up to starting their business or got a small business loan.

Step 3

Break down your 12 month goals into monthly and weekly goals. Keep them realistic.

Spending your marketing budget too quickly



Every small business owner needs customers. They can easily fall into the trap of spending their entire marketing budget quickly on a single channel like Google AdWords or Yelp Ads. They blow through their marketing budget without an **eye on ROI** from those marketing efforts.

HOW TO AVOID IT

Step 1

Identify 3-4 different marketing channels you want to **test**.

Step 2

Do small tests on those channels to see if they are profitable. For example, if you want to invest in Google Adwords, underbid the amount per click recommended by Google and set a cap on your spending.

Step 3

See which marketing channels resulted in a positive ROI. Increase your spending on channels that worked. Get rid of the ones that didn't.

Not scaling properly when things start to work

Once you find product-market fit and have more customers than you can handle, it's critical to know how to scale your business. It's the difference between having a one-man show and building an empire.



HOW TO AVOID IT

Step 1

Break down everything you do into a concise process. Identify which parts of the process you can delegate to an existing employee or hire someone to handle it.

Step 2

Identify how much capital you need to hire more people or buy more equipment.

Step 3

Hire slowly and deliberately to ensure you are still hitting your ROI goals.

Hiring the wrong people



The team you hire is one of the most important factors to small business success. 80% of business owners we surveyed indicated that not hiring the right people was a costly mistake that should be avoided.

HOW TO AVOID IT

Step 1

Be aware of the Halo Effect: the pitfall of liking a candidate based upon a few traits and overlooking red flags and other needed, but missing skills.

Step 4

Do the proper background checks and call references to vet candidates.

Step 2

Create descriptive job postings that accurately reflect who you want to hire. Vague job postings bring too much noise and not enough signal.

Step 5

Ensure the people you hire are a good fit for your company's culture.

Step 3

When interviewing candidates, make sure you select people you deem smarter than yourself.

Step 6

Select people who believe in the businesses' vision.

Mistake # 6

Not having a website from the start

A whopping 47% of small business owners we surveyed said that not having a website was a major blunder they made. In today's digital age, having a website lends you credibility and can be the difference between *winning* that customer or *losing* them to a competitor who does have a website.

Even if you're a solo business owner such as a contractor or accountant, a basic website is the best low cost investment you can make.



HOW TO AVOID IT

A starter website these days can be created for under \$100-\$200. It's money well spent to provide the legitimacy and credibility to your business. We recommend creating a basic website using Wix or SquareSpace to start. It's extremely cost effective and easy to create.

Not understanding the importance of having cash

Every small business *needs working capital* to grow and compete in today's competitive market. Without the needed working capital, a business owner won't be able to grow their company, pay bills, employees or vendors.



HOW TO AVOID IT

Step 1

Make a spreadsheet of all your fixed and variable expenses. Be exhaustive and list everything out.

Step 2

Create a list of resources necessary for growth and the capital requirements. For example, if you need to hire an additional employee, determine what the approximate cost to hire will be.

Step 3

Find sources for getting the necessary funding. One option is to apply for a small business loan or line of credit.

Underpricing your service or product

Competing just on price is a losing battle. It hurts both your brand value and profitability in the long term. Taking a page out of Apple's book, if you position the value proposition and differentiation well enough, customers will be willing to pay a premium for your product or service.



HOW TO AVOID IT

Step 1

Figure out **exactly** what your differentiation point is. What makes your business unique?

Step 2

Make a grid of prices your competitors charge and what their unique value propositions are.

Step 3

Ask yourself if your own value proposition is enough to command a premium. If it is, then price your product or service at a premium as compared to competitors.



Our mission is to help small businesses achieve success

We help business owners secure financing that backs up their ambition, so they can be more than just owners - they can be entrepreneurs, visionaries and innovators

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