Eight Business Mistakes to Be Aware of After Your First Year

Mistakes happen. We are human, and we are not infallible. The trick is not necessarily avoiding mistakes altogether, but instead using them as a learning experience. In business – particularly when running a startup – it's also essential that you deal with any problems as soon as possible to prevent them from growing into something insurmountable. Some business mistakes may even come back to haunt you later down the line, in that case, it's about being prepared.

Of course, the best thing to do is to avoid making the mistake in the first place. That's not always possible, as some things are just going to play out how they play out. However, you can avoid some common problems during your first year of business – mistakes which many other entrepreneurs have made in the past. Here are eight examples.

1. Register as a Business Entity

In the U.S., most states require you to have a business license or at least be registered before you can start operating as one. This process is not the same as incorporating or starting an organization, but it's just as important because it separates your personal assets from your business assets. What does that mean?

If you're selling a product that hurts someone or makes them sick and they decide to sue your company, that's where the business entity comes into play. When registered as a

business, that essentially takes over, and the person(s) suing can only collect from your business assets and funds, including available insurance. If you're not an "entity," your personal assets are on the table, too. It could very well be the difference between only losing your business funds and supplies or losing your home and personal materials, too.

The most common form of business entity is an LLC or limited liability corporation.

2. Plan Ahead

There's no way to know for sure what's coming in the years ahead. Your business could slowly start to grow, die off entirely or hit a sudden boom bringing in millions of dollars a day – you just don't know. But that doesn't change anything in regards to planning. You should always plan ahead and have multiple contingencies for when an event or scenario plays out. Don't prepare just for success, either.

More importantly, you should remember to set goals you can strive toward. Don't just set them in the near future, either – consider two, five and even 10 years down the line. What would you like to achieve? What new avenues, products or services would you like to pursue? Would you like to be in new markets?

Expanding your business into new markets or opening up new locations, for instance, will be necessary to grow influence and support. But it's important to understand the risks, timing and requirements, so you don't incur more significant problems. Do it at the wrong time, and you'll stretch your capital and assets thin, which could result in failure for the entire operation.

Start with a huge list of desirable yet realistic goals and narrow down what you want to achieve as you continue to grow.

3. Learn to Protect Your Business

Too many startups fail simply because the owner or owners were not prepared to deal with certain unfortunate yet legal events. They did not consult legal assistance, they did not file the appropriate paperwork to protect their assets or they did not draw up a contract to prevent gutting or theft.

Imagine two friends working together to build a startup. Things start to go sour, and one decides to leave, but they want to take “their” ideas or accomplishments with them. It’s too late to draw up a contract to protect the business at that moment. So, you should do it beforehand.

Here are some things to consider:

- Protect intellectual property through trademarks, copyrights, etc.
- Draw up a contract before things get hot and heavy, explicitly outlining what stays with the business and who gets what during a split
- Create similar contracts for partners, vendors and investors
- Consult attorneys, accountants and bankers for advice and support – don’t do everything yourself
- Acquire the necessary insurance or emergency financial support

4. Don’t Incorporate Too Early

Many companies and business owners will decide to incorporate when they’re running low on funds, which opens up their business to public investments and incredible growth. It’s a good idea, and it’s a great source of capital – but that doesn’t mean it’s the best option for your business.

Do not incorporate until your business has a clear foundation and it’s apparent whether you’re going to sink or swim over

the coming years. That might sound vague, but you can predict relatively well through past performance how a business will do on its current trajectory.

There are many requirements of an incorporated business you may or may not be able to deal with. For example, investors are going to want the company run the way they think is best, which means making decisions that please them – not necessarily how you would want your business to be shaped. This can completely alter the planning and design phases, as you must incorporate what your investors want as part of your decision, as opposed to only what you or your team might want.

5. Undervaluing Your Products or Services

The price you charge for your goods when you enter the market sets a precedent for your business. In most cases, it’s difficult to raise prices or change a payment plan after your company is in operation, even with iterative product updates. You’d have to make substantial changes to warrant the increase, and many customers are going to be against it or upset by it.

That doesn’t mean you should never change prices, but the critical point here is that you don’t want to undervalue what you have to offer when you’re just starting. A lot of businesses set their price points too low because they aren’t confident or they fear failure.

Before launching anything, explore the market thoroughly to review comparable products. What are similar companies charging? What do your products or services have that others don’t? What’s a good price range for your industry?

6. Avoiding New Technology

For any business, the adoption of new technologies, systems and tools is going to be a costly endeavor – that's just how it is. The bigger the team, the more time and resources it will take to roll out a new solution – which includes higher costs.

Money aside, you should never be afraid to adopt new technologies or solutions. Many will help teams do their work more effectively, increasing output and ultimately lowering operating costs. In other words, it's almost always worth the investment.

Do your research beforehand. Also, don't adopt too many new platforms at once, just work on a single upgrade at a time. When assessing what to try or what to install, consider what parts of your normal day-to-day operations could do with a little improvement.

7. Know Your Ideal Customer

You could have the greatest idea ever for a business or product, but it won't make a difference if you don't know who your customer is. That also means understanding what they want, how they live and how they might interact with your business in the future. Will they be willing to upgrade to a new model as soon as it's available, for instance?

Knowing your customer is not just vital for regular business operations and development, it's also crucial to marketing. You need to speak directly to your customers through your marketing campaign, including those that have yet to invest in your business.

8. Need Strong Marketing

Speaking of marketing, you won’t see a lot of growth if you aren’t continually promoting your business. Marketing takes many forms from online and social media content to word of mouth referrals. Furthermore, as a local business or new startup, your marketing campaigns are going to look a lot different than large organizations.

You won’t succeed at marketing, however, if you don’t understand your market. That means getting to know your customers, understanding your competition and knowing the current market sentiment. Are people just not interested in the products or services you wish to sell, for instance? How can you change that?

If you don’t learn to market early, you’re going to have a much more difficult time later on. Not to mention, you won’t have a consistent way to bring on new customers and clientele.

Mistakes Happen, So Learn to Correct Your Trajectory

Even armed with these incredibly helpful tips, you’re going to make a few mistakes. That’s okay. What’s important is that you correct your trajectory as soon as you realize what’s happening and that you learn from any errors, so you don’t repeat them.

Running a startup business is not a simple or easy feat. It’s challenging, there will be lots of obstacles and it takes a lot of time, patience and money. But you can make it happen. Just stay focused on your goals, trust in your support and keep pushing forward.

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