

## The DVR Business Model

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*Note: This document is intended to provide practical guidance on working with DVR and is not a statement of WAC or policy.*

You've got a genius idea for your first cool million, or maybe you just want to supplement your SSI. Congratulations for showing the entrepreneurial initiative to pursue advice and resources by coming to DVR! Now being practical, I imagine you also thought that there would be some things that DVR would support and some things they wouldn't. This is true.

The bad news first. We are not a loan program, a source of liquid capital (cash), nor are we "angel investors." For some individuals – those that are eligible and have completed a comprehensive vocational assessment and feasibility analysis – we have the ability to assist with a reasonable amount of startup equipment, tools and supplies.

Our assistance simply won't meet the need of every budding entrepreneur or self-employment venture. Federal laws, Washington Administrative Code, and DVR policy aside, other factors considered by DVR are liability to the state, obligations to the tax payers in being stewards of public funds, and avoiding the scrutiny of media if things go really bad!

So, if you are looking to purchase a franchise, develop an invention, pursue a patent or trademark, get insurance and a car to drive for Uber, publish that book you've written, get support for a "get rich quick" opportunity, or become the next great e-seller - we're not going to be the place for you. Yes, it is true that resources to support these ventures are very limited and it is difficult to secure loans for them. Business opportunities that are high-risk or speculative often face those barriers. This is princely why they are also out of our reach.

There pros and cons of working with government. The cons include paperwork, time, and hearing that would won't be as risky with public funds as you would be with your own money. On the pros side, you will get expert business advice that is seldom available to many people wishing to start a business, not to mention working with someone who also understands the barriers you face because of a disability.

Now the good news! DVR helps about 100 people each year explore the possibilities of self-employment and provides some form of limited startup assistance to the about 50 or so that had a feasible business idea. Maybe you'll be one of our next success stories! Understanding our "Business Model" will help you as we begin to work together.

### ***Where do we start?***

Businesses come in all shapes and forms, from the lemonade stand to Microsoft. Each has a concept, the components of which roughly match one or more of many business models. For example, bookstores have bookstore and retail models that are part of their concept. These models may be modified by operational differences that follow other models. A bookstore that also sells online will borrow from an online retail business model and one that includes a small café will have components of a restaurant model.

Unfortunately, most business models are not a standard issue set of instructions that you can download from the web. In fact, the closest thing to a complete package would be a franchise, where most

everything is planned and identical. The business models that are relevant to this discussion are infinitely variable, except that they all must conform to the “DVR Business Model.”

So, what is *the* DVR Model? Again, unfortunately, it’s not a prescription that can be packaged and applied universally. It is a mix of concepts that, when understood, suggest guidelines to follow. Those business ideas that fit the model will have a better chance of both being approved by DVR and succeeding in the marketplace.

***Remember: We’re pulling for you***

DVR assists persons with disabilities to achieve success in self-employment. Because business is difficult, the road through the DVR self-employment process also is difficult. If and when frustration surfaces, remember that we have your best interests at heart. We want you to succeed.

Consider that many people who start businesses do so without the benefit of the type of consultation and review that you are receiving. They often fail, lose all their start-up capital and may even end up in debt. In our work with you, we are trying to help you avoid that scenario.

***Preparing to be on Your Own***

Being self-employed means entering a world where you’re responsible for *everything*. It is quite unlike anything else, except perhaps, raising children. In both cases, the demands made of you far exceed anything you ever expected.

Before soliciting your first customer, knowing most of what you will encounter and planning on how to deal with it is absolutely necessary.

Please reread the above two paragraphs until it sinks in that *there is way more work involved in starting a business than getting a job*. In fact, a tremendous amount is done *before* starting a business in just evaluating the model. And the reward for all this hard work? More work and more responsibility than you would ever encounter with a job.

Is this an attempt to scare you? Yes, or at least trying to get your attention about the realities of self-employment. Deter you? No, not if you are totally motivated to succeed. Remember that self-employment will test your resolve. If you are not absolutely sure, this probably is not where you want to be. It is not the best choice for everyone.

This is the preface to talking about a feasibility analysis and business planning. Simply put, a business plan is what prepares you to be on your own.

***The Business Plan***

Business plans are widely misunderstood. Many people believe they are a mere formality to obtain a loan or generate investor interest, or, in the DVR case, pass a bureaucratic hurdle. Others regard them as overly complex volumes of research and incomprehensible numbers that serve no useful purpose. Neither is correct.

The purpose of a business plan is to get organized and formulate well thought-out action plans. Every complex endeavor requires a plan. Even doing a week’s worth of grocery shopping requires a plan (list)

if it is to be done well. Starting a business is a very complex undertaking, so it is only logical that a plan takes considerable time and effort *if it is to be effective*.

There is a big difference between ‘action plans’ and ‘well thought-out action plans’. The latter involves research and study that enlightens the business owner, moving them from guesswork to informed decision making. The reason this is so important is that if you ‘guess’, rather than study, your business becomes similar to gambling, and in the vast majority of cases, *you won’t make it*. And the reason for **that** is that your overhead costs will eat you up while you are trying to learn the correct formulas for product mix, pricing, service standards, promotion effectiveness, competitive advantage, low-cost vendor selection, etc. This is why we start with a feasibility analysis.

Going into business for yourself will be pretty scary. Taking the time to research and generate a good plan will reduce that related stress and anxiety.

Sometimes the term ‘plan’ is confused with ‘idea’. People talk about a business plan while they are still developing the idea. To help with the development of an idea, some concepts that form the DVR Business Model are presented below.

### **Concept 1 – Small is Beautiful**

Small and simple work best for several reasons: Start-up costs are relatively low; The time to reach break-even and profitability is less than for complex businesses; There are fewer operational issues to overwhelm a first-time sole proprietor

Start-up costs keep many people from jumping into the world of self-employment. DVR will assist with start-up costs in those cases where a good concept generates a well-developed action plan (business plan). However, there are specific policy limits as to how much DVR may contribute and what we can spend it on.

Generally, the larger and more complex a business concept, the longer it takes to generate sales that will not only cover all costs, but deliver a profit.

Even with diligent planning, many business owners still have much to learn. For a sole proprietor, staying on top of issues and knowing what to do next is a monumental task. Starting a simple business does not limit its long-term potential, but it *does* reduce the complexity of issues and the amount of information required to reach the first level of success: keeping the doors open.

### **Concept 2 – The Definition of Simple**

As the owner, you will be responsible for most, if not all, aspects of operations. If you are thinking “what about Supported Employment?”, then stick with us and we’ll address that later. Simple means keeping that multitude of tasks controllable. Since keeping on top of all aspects of your business is inherently complex, it is important to keep the business relatively simple. That which you cannot accomplish may be contracted (bookkeeping is an example).

Simple means ‘lowest cost’. You think your costs are low? Look again. Find ways to make them even lower.

Simple means you won’t start out selling yourself as a full-service business, nor will you truly be full-service. This is a difficult concept for many. Consider a person who is a trained musician with a

teaching credential and excellent skills with eight different instruments. If offering music lessons in all instruments is the goal, they would be counseled to start with only one. In so doing, that person may feel that they are underselling themselves, their services *and* limiting their potential income. However, that perspective ignores two cardinal rules of business: 1) the progressive nature of business undertakings - see “Getting Started” below, and 2) It’s All About Sales.

A good way to understand this concept is to take a customer’s perspective. They are usually looking for something specific. So, use the term ‘specific’ to define ‘simple’ from a buyer’s perspective: piano teacher is more specific and simpler than music teacher. Jazz piano teacher is simpler yet. Also, the narrower the specialty, the fewer the competitors.

### **Concept 3 – Getting Started**

‘You must learn to walk before you run’ is good folklore advice because it is easy to understand. In a similar progression, a business should go from simple to more complex. Start-up is the beginning point on the simple-to-complex continuum.

The issues for getting started are different than those that apply 9, 18 or 36 months later. DVR has created a program that will help you get *started*. After that, you are on your own, competing for consumer dollars. To be competitive with minimal resources, the business model needs to be simple. If not, the drain on cash produced by overhead expenses will reduce the amount of time available to build sales and a good customer base.

A simple business model with a well-planned, targeted marketing plan can achieve profitability faster than a larger or more complex design. The larger, more complex business may have more financial potential over the long run, but that assumes more resources at all phases of development, including start-up.

The major issue of all start-ups is cost. This hurdle prevents many, many people, in all demographics, from starting their own business. You may have little or no start-up capital to contribute. For those eligible, the DVR contribution helps a significant number overcome this barrier. However, these funds are limited! The end result is that business plans that are simple and thorough have a better chance of being approved to receive funding.

### **Concept 4 – It’s All About Sales**

In the music teacher example above, let’s assume the teacher’s expertise is considerable, and they can teach tuba, oboe, sitar, piano, accordion, mbira, harmonica and tabla. Or for that matter, let’s assume this person is a musical genius who can teach anything that makes music. *As far as being successful, this really does not matter.*

What matters most is what they can sell. All those talents aren’t worth money in their pocket without customers who know about them and are willing to pay for them! What do you think is a stronger market – piano or tabla lessons?

So how does one position oneself? As someone who can teach anything and everything OR as the person who can teach one thing? Before you answer this question, remember that we’re still talking about getting started; the answer may be different later on. Clearly, advertising and promoting to all those markets is more difficult than choosing one. If they sell well to *the biggest market* (in some

markets mbira may outsell piano), they will produce revenue more quickly because one market can be penetrated more effectively than eight. Additionally, less expense will be incurred with this approach.

Starting to sound complicated? Go back and read Concept 1 again.

### ***Concept 5 – Additional Training***

DVR does not require business training. Their support includes a fairly rigorous planning process, but that is not a training substitute. In the process of planning a business start-up, you may discover subjects that you don't comprehend fully. For your success, it is important that your response to those deficiency discoveries is "I need to learn about that."

Training is available through many sources. Classes range from webinars, brief seminars, to community college and university classes. DVR will consider providing the means to obtain additional training, but it's up to you to *determine what is needed* and to ask for it.

### ***Concept 6 - Supported Employment***

What about the person who, because of their disability, will not be the typical profile of a sole-proprietor and be able to manage the many business decisions or operations? Now we're talking about more than just someone to do your bookkeeping or answer your calls, but someone that would actually work alongside the person, or take-on specific work-related tasks. This is what we call "supported self-employment" and is not uncommon for some people including those with intellectual and developmental disabilities.

It doesn't mean the DVR Business Model changes. It does mean that more work is spent developing a team-centered approach to the business. Important factors that DVR is required to evaluate in ALL self-employment ventures remain true in supported self-employment such as the need to differentiate between a business and a hobby, the business owner's role, and the long-term availability of the team supports that are needed.

### ***Final Thoughts***

If you are still with us and feel undeterred – then self-employment just might be the path for you. If that seed of doubt has started to take root – you may want to talk with your DVR counselor about what other options may be available to you. In all cases, when working with DVR, you have choices and self-employment is one of them. However, it should be carefully selected as the "best choice", not the fall back because of difficult job search, fear of discrimination, or ineffective job placement strategies.