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# **How to Start a Computer Consulting Business: 6 Proven Ways to Build Your Initial Client Base**





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## 6 Proven Ways to Build Your Initial Client Base

IT professionals looking to go into business have many questions about how to start up their own IT service provider company. Six questions have come up more frequently, and we answer these six FAQs one by one.

The six questions are as follows:

- What are the first few steps in starting up my new business?
- How much capital do I need to start up a technology service provider business?
- What are some ways to lower my start up costs?
- How do I obtain a new initial client base?
- What income streams should I obtain for my new business?
- What tools should I use to start up my technology provider business?

Whether you classify your business as an IT service provider, a computer consulting business, a value added reseller, a network system integrator, an IT solutions provider, a managed service provider, or a computer repair business, the following practical tips will help you avoid some of the most common rookie

mistakes and get you on the right track as quickly as possible toward establishing your new IT startup's initial client base.

## What are the first few steps in starting up my new business?

**Write a Business Plan.** Regardless of whether you need external capital, you need a business plan because it forces you to think about how all the different elements of your business relate to each other, including the following:

- target market
- competitive analysis
- marketing
- sales
- financial analysis (projected profit & loss and cash flow)

Your business plan will serve as your roadmap to keep you on track. However, it should be a dynamic document that you review and update at least once a year as internal and external factors affecting your business change.

**Come Up with a Company Name.** In coming up with a company name, decide whether you are going to be primarily a locally-based business or a nationally- or internationally-based business. This is



important because it may dictate trademark issues.

Pick a descriptive name, preferably one that encapsulates your unique selling proposition and makes it obvious what your company does. This will make marketing easier but can create trademark issues. If trademarking your company name is important, consult a local intellectual property attorney to be certain whether your chosen company name is “trademarkable.”

See to it that the perfectly-matched .com name is also available. You can do this by searching through domain name registry Web sites and domain name search tools, such as [www.domaintools.com](http://www.domaintools.com). This is important so that potential clients can easily find you online.

**Find a Lawyer and an Accountant.** These professionals will help you decide what the right business entity is for you and can help you with the paperwork that goes with it.

**Establish Your Business Entity.** Get the licenses (local, provincial/state, national) that are appropriate and relevant for your business.

**Open a Business Bank Account.** Once you start receiving money from your clients and getting checks paid to your company, you need to have an account where you can deposit business checks.

**Apply for a Merchant Account.**

Merchant credit card accounts give you the ability to accept payments from your customers and clients via Visa, MasterCard, American Express, and other major credit cards that are appropriate for your local area.

**Register Your Domain Name.** Make sure that your domain name matches your company name. Consistency in branding makes marketing more effective and projects professionalism for your business.

**Establish a Business Telephone Number.** Establish a business telephone number that has forwarding capabilities as well as voice mail that answers in your company name. There are many reliable and inexpensive VOIP services available such as Skype ([www.skype.com](http://www.skype.com)), Google Voice ([www.google.com/voice](http://www.google.com/voice)), Toktumi ([www.toktumi.com](http://www.toktumi.com)), RingCentral ([www.ringcentral.com](http://www.ringcentral.com)), and AccessLine ([www.accessline.com](http://www.accessline.com)).

**Set Up a Web Site.** At this stage, set up a simple, professionally-made, one-page Web site that has the basic information about your business: your company name, your elevator pitch, a list of your services, your coverage area, and your complete contact information.

**Create a Business E-mail Address.** You are going to need a business e-mail address that also fully matches your domain name to have that consistent professional branding.



**Have your Logo, Business Cards, Letterhead and Envelopes Designed and Printed.** Your starter set should be professionally-made, with consistent branding. Once you have them, you can start sending out letters and proposals and handing out business cards.

## How much capital do I need to start up a technology service provider business?

The good news is that most startup IT service providers need a relatively low capital investment. Look to grow organically and without taking on huge financial risk. There are several expenses that you need to fit into your budget. Some are recurring while others are one-time deals. The expense estimates below, although listed in U.S. dollars, can easily be converted to your local currency by visiting a Web site such as CNN's Currency Converter (<http://money.cnn.com/data/currencies/>) or iGoogle ([www.google.com/ig](http://www.google.com/ig)).

**Marketing.** For small IT startups, marketing usually ends up being more time-intensive than financially-intensive. A marketing budget of \$250–\$500 a month can go a long way **if** you are planning and spending it judiciously in the **right** places.

**Professional Services.** Find a good attorney and accountant in your area when you are first setting up your

business. You may need to budget for around \$250 to \$500 each month for legal and accounting fees. Talk to them about your personal and business financial situation. Tell them what your goals are and the kinds of clients that you are seeking. Ask them for advice on how you should organize your business and what business entity is most appropriate.

These professionals can also be a tremendous source of referrals to introduce you to their clients who could utilize your services. They may also give you some ideas on how to create awareness of your new company in your local community.

**Nominal Expenses.** Many other expenses are nominal. These in total may set you back about \$1,000:

- Establishing your business entity may cost you less than \$500 dollars.
- Registering a domain name and setting up a Web site and e-mail hosting should be about \$100 per year.
- Setting up a business phone number using a virtual auto attendant type of service or VOIP that can provide call forwarding and answer in your business name will only cost between \$50 to \$200 annually.



- ❑ Get your logo and business identity designed professionally for \$100 to \$200 dollars. Branding is very important in how your target market perceives your professionalism and can make an enormous difference in how easy it is for you to get through the sales cycle and command the level of hourly billing rates that you desire.
- ❑ Have your starter set of business cards, letterhead, and envelopes professionally printed for \$100 to \$200.

**Credit Card Merchant Account.** The ability to accept credit cards is important, especially for brand new customers if you are going into product reselling. For a credit card merchant account, you should probably budget about \$300 a year, plus variable transaction fees (generally 2–4% of the transaction, plus less than \$1/transaction).

**Organizational and Channel Program Memberships/Subscriptions.** To help you grow your client base, look around for organizations in which you can participate that make sense for your business. Subscriptions are another area you are going to budget. However, as many of the IT service provider industry's most popular trade publications are in controlled circulation (i.e., you trade much qualifying personal information for a free subscription),

most budget items in this area will be for channel program memberships.

**Training and Certifications.** Unless you are selling to IT professionals or a more sophisticated IT manager, do not spend a lot of time and money collecting initials and logos to put after your name or on your business card. Advanced certifications are not required for landing typical small business clients.

#### **Product Reselling Capital**

**Requirements.** If the focus of your business is on reselling products, you're definitely going to need a lot more capital. But there are many reasons not to get involved in product reselling. Aside from needing a lot of capital, it has a relatively low profit margin. It also ties up your capital and exposes you to credit risk. It is simpler to help your clients with basic procurement and asset management, a service which you can bill by the hour. You can also bill by the hour for configuring, installing, and supporting their IT systems.

**Personal Reserves.** For most, the biggest financial issue when starting up is having enough personal savings to support you during the first six to twelve months while building up your client base. If you are looking to grow your business organically, your personal savings is vital. You will need this capital to live on during the initial startup phase of your business while you forego drawing a salary.



## What are some ways to lower my start-up costs?

As we just mentioned, your personal savings is a big chunk of your startup capital during the initial phase of your business. So make sure that you keep your living expenses modest.

**Work From Home.** Working out of your home office for as long as possible will also certainly earn you a lot of savings. Of course, check your local zoning ordinances to make sure you can. Remember, small business clients almost never go to their outsourced IT providers' office. While a home user might bring their broken laptop into a retail computer store, the office manager of a 10-employee law office will not haul the office's entire LAN into their IT service provider's office for troubleshooting intermittent connectivity issues.

**Do Not Join Expensive Channel Programs.** Unless you have done thorough market research, do not feel like you have to join several channel programs without really thinking about how each fits into your marketing plan. Also, consider whether you are going to get a worthwhile ROI from these channel programs' financial and time investments. So be very judicious with how you spend your budget on such programs.

**Avoid the Phone Book.** Advertising in the phone book is for computer

providers who are focused on the business-to-consumer (B2C) market of retail home users. Instead, if your target market is business-to-business (B2B), specifically, small businesses with 10 to 100 employees, focus instead on promoting with your Web site SEO and Social Media Marketing, both of which can consume time, but which create little out of pocket expense.

**Avoid Coupon Packs.** Coupon packs are also just for B2C. Do not waste your capital on untargeted direct mail until you know how to manage direct response campaigns.

**Use Independent Contractors.** Another way to save on fixed overhead is to use independent contractors or virtual assistants (VAs) for your administrative work and IT staffing for as long as possible.

**Build Up a Network of Trusted Business Advisers and Non-Competing Technology Providers in Your Local Community.** This is the best way to save on marketing and promotional activities. Not only does it cost next to nothing to build up meaningful friendships with these influencers, but they are also the source of the best leads. Get together a couple of times a year over coffee, drinks, or a meal, and talk about how you can work together. See if there are opportunities to cross-pollinate your client lists. The key is to dig the well before you are thirsty. Such relationships take time to evolve.



**Apply for a Credit Card Merchant Account.** You probably think that giving up two to four percent of credit card transaction fees from your threadbare profit margin is not exactly a way to keep your costs down. However, would you rather have 96%–97% percent of the invoice sitting in your bank account in three business days or spend sleepless nights because forty-five to sixty days later, a client has paid you nothing? Do not tie up your precious capital in accounts receivable, especially not for low-margin product reselling transactions.

## How do I obtain an initial client base for my new start-up?

It is important to know your target market so that your marketing activities will be focused. Your target market will have been identified during your business planning process. The steps that you use to obtain your initial client base are generally the same kind of marketing, promotional, and lead generation activities that you need to repeat to keep your client base growing and your business profitable. Consider these proven actionable tips to obtain your initial client base:

**Send Out a Letter or E-mail to All of Your Friends, Family Members, Former Co-workers, and Professional Colleagues.** Let them know that you have launched your new IT business and

that you would very much appreciate any referrals to small business owners or managers that may need your services. Give each contact five business cards and tell them what services you provide as well as your coverage area. Ask your contacts to make referrals either by letting you know about someone worth contacting or by passing along the business cards that you provided them.

**Set Up Profiles on LinkedIn, Facebook, Twitter, and YouTube for Your Company that Link to Your Web Site.** Put your logo in each profile and start building meaningful local connections. Start with your friends, family members, and professional colleagues. Social networking is an effective viral marketing tool to create visibility and a powerful way to grow your connections.

**Record a Short Video of You Introducing Your Company.** Set up a one or two-minute video for your YouTube account. Either record the video with a digital camcorder (preferable) or record a screencast. Mention what services your company provide, your coverage area, and the unique value proposition that you bring to the table. Include a call-to-action with your contact information and add testimonials, if available.

Then put a link to the video, or place the embed code on your other social network profiles and on your Web site. This video provides your prospective customers and partners with more





personal insight into who is really behind your business, making prospective customers and partners more likely to initiate contact.

**Build a List and Calendar of Eight to Ten Local Business-related Organizations and Two to Three of Their Upcoming Events.** Research and create a list of organizations that can help you connect with small business owners, managers, and trusted business advisers, including the following:

- local chambers of commerce in your coverage area
- lead-sharing organizations
- user groups
- civic organizations
- religious-related or minority-related business owner groups
- alumni associations

**Attend One of These Business Organization's Events at Least Once a Week for Eight Weeks.** Go around and start shaking hands. Introduce yourself and your business. Ask questions about what each person does, how their company uses technology, how their current technology solution is working out, and who takes care of their IT service/support. Listen more than you talk for three to five minutes with each person that you meet. This brief encounter will make for a more

meaningful conversation without being burdensome.

Exchange business cards and start building connections with potential clients and trusted business advisers, including

- accountants
- attorneys
- management consultants
- marketing/PR/ad agencies
- deeply-niched IT specialists

Then decide which among these organizations are worth joining.

**Look for Targeted B2B Trade Shows in Which You Can Participate.** The first time around, go as an attendee so you can see what other kinds of exhibitors are at the shows. Find out what kind of traffic they experience and what kind of expertise they demonstrate. Next year, find out how you can participate in a way that allows you to demonstrate your expertise. This could include conducting mini seminars at your booth or becoming a part of a panel in break-out sessions.

**Look for Speaking Opportunities in Front of Small Business Decision-makers.** Organizations usually have featured speakers who talk about the different local business issues every month; position yourself to become one. This is the perfect opportunity to speak



in front of a captive audience of qualified decision makers. Keep your talk 99% informational with a minimal sales pitch.

Also, think about jointly sponsoring an event with a complementary, like-minded business, such as an accounting firm, where you both invite your in-house mailing list of prospects, customers, and clients. This is a great way to cross-pollinate your prospect, customer, and client lists.

**Stay in Touch with Qualified Prospects on Your Mailing List.** You can do this by coming up with a one-page quarterly newsletter that gives tips on IT-related issues relevant to your target market. Be sure to include a time-sensitive, subscriber-exclusive special offer. Make sure the content of your newsletter has a ratio of three parts useful information to one part sales pitch. In other words, before you earn the opportunity to ask prospective customer, clients, and partners to do business with your firm, make sure that you are providing useful information.

**Lather, Rinse, and Repeat.** All too often, what ends up happening is a lot of momentum and excitement when you first launch your new IT startup. Then you get busy with your paying clients and you think you no longer need to work on growing your client base—until there is a crisis. So make sure that you are pro-active, deliberate, and focused about where you are spending your time to establish and grow your initial client

base. In a period of six months or a year, you should have a good sense as to which activities are worth repeating.

## What income streams should I obtain for my new business?

If you are focused largely on helping small businesses in your own local area with their IT needs on an outsourced basis, you have at least four different income or revenue streams.

**Proving Ground Projects.** A proving ground project proves your value to a new customer. It should clearly demonstrate to your customer that you are dependable and sensitive to their IT needs. At the same time, your new customer is also proving their value to your company in terms of their willingness to pay for your professional IT services. So it is a mutual proving ground to find out if the two of you can work well together. Proving ground projects could be in the form of technology assessment or a well-defined and urgent service need.

**Remediation Projects.** Remediation projects are usually an offshoot of a proving ground project that went well. These are usually in the form of system upgrades, network roll-outs, or clean-up jobs. Remediation projects are generally conceived as a result of your initial IT audit or technology assessment project in order to bring new clients up to the



standards that you are comfortable supporting long term.

**Annual Service Agreements.** After successful proving ground and remediation projects, you will want to migrate your new clients onto your company's annual service agreement program.

Discuss the value proposition of having your IT support on an ongoing basis through your annual service agreement. As long as you are doing a reasonably good job, this ongoing support service should become a long life cycle event, where most of your clients remain with your company for many, many years to come.

**Product Reselling.** We are not thrilled about this fourth revenue stream, but it simply will not go away in the small business IT industry. For product reselling, you act as a traditional value added reseller (VAR) of desktops, notebooks, servers, switches, routers, software licenses, and more.

Product reselling today is somewhat controversial because the profit margin between buying wholesale and selling retail has greatly diminished and is no longer worth the capital, overhead cost, and credit risk unless you deal in very high volumes.

In lieu of becoming a traditional product value added reseller, we strongly recommend that smaller IT firms (especially startups) help clients identify

IT needs, offer them competitive price quotes, and give them options. Place the order on their behalf, follow-up on the order, and inspect the goods when they arrive. Then go ahead and customize, configure, and install the products and get them fully integrated into their networks.

You can charge by the hour for these procurement related services in the same way that you charge for your other technical services. Not only does this not require a lot of capital, but it also provides transparency, eliminating possible friction and resentment in connection with product reselling between you and your clients.

## What tools should I use to start up my technology provider business?

Regardless of how you classify your business, whether you consider your firm a computer consulting business, VAR, network integrator, IT solution provider, MSP, or computer repair business, if you are largely there to help small businesses in your local community with their IT needs on an outsourced basis, you definitely want to think about your startup tools.

**Your Brain.** Because we are talking about selling knowledge, your skills, and your ability to solve problems as opposed to selling concrete goods, it is important that you use your brain. Think



long and hard about your marketing strategy as well as a very proactive, focused, and deliberate plan of attack for your business.

In the first six to twelve months of your startup phase, you will need to work smarter to navigate around entrenched competitors, and one of the easiest ways to stand out from the crowd is to come up with original and innovative ways to reach your market.

**QuickBooks.** Without a doubt, you need to keep track of the money that is coming in and out of your business. It is important to have solid accounting software. Aside from the gold standard of accounting software—Intuit’s line of QuickBooks software and services (<http://quickbooks.intuit.com/>)—you may want to also look into the rapidly growing Web-based service, FreshBooks ([www.freshbooks.com/](http://www.freshbooks.com/)).

**Customer Relationship Management (CRM) Software.** Make sure you have a good follow-up mechanism in place to keep track of all opportunities from your prospects, customers, clients, partners, and subcontractors, so that you do not end up giving away your leads to competitors who are more aggressive. Salesforce.com ([www.salesforce.com](http://www.salesforce.com)) is one such popular Customer Relationship Management (CRM) Web-based program. Another popular CRM platform is Microsoft Dynamics CRM (<http://crm.dynamics.com>).

**Google Calendar.** This Web-based calendar is an indispensable tool for keeping track of your appointments. It also allows you to invite other attendees and send reminders to your prospects, customers, clients, partners, and subcontractors about upcoming meetings.

**Social Media Marketing.** Social networking sites such as LinkedIn ([www.linkedin.com](http://www.linkedin.com)), Facebook ([www.facebook.com](http://www.facebook.com)), Twitter ([www.twitter.com](http://www.twitter.com)), and YouTube ([www.youtube.com](http://www.youtube.com)) are a great way to stay in touch with your contacts, expand your network, display your expertise, and build up your reputation. Social media marketing can be a great vehicle and cost-effective way to grow your business.

**Content Management System (CMS).** Use a content management system like WordPress ([www.wordpress.org](http://www.wordpress.org)) to run your Web site. A CMS makes it easy not only to update it but also to delegate the task of updating your Web site. A regularly updated Web site gets more attention from search engines. WordPress also has thousands of different plug-ins and themes that allow you to customize and add features.

**Virtual or VOIP Phone Provider.** Make sure your business phone answers with your business name to keep the level of professionalism in your business.



**Smart Phone.** You will need a mobile phone and plan with a large amount of minutes, access to e-mail, and web browsing that can act as an extension to your office. Any time that you are sitting at your desk in your office is generally not revenue-generating unless you are doing off-site billable work.

**Mobile Broadband.** The ability to have constant access through mobile high-speed Internet broadband on your notebook, netbook, or MiFi (personal WiFi hot spot) is an extremely important productivity tool as your work requires you to be out of the office most of the time.

**Credit Card Merchant Account.** This is another tool many overlook, especially if they are involved in product reselling for which you will need credit risk protection. Otherwise, you are taking on inherent risks of accounts receivable for low product reselling profit margins.

**GoToMeeting and GoToWebinar.** Another easy way to extend your productivity is scheduling online meetings, classes, and seminars with prospects, customers, clients, partners, and subcontractors. One very popular solution is from Citrix Online and their GoToMeeting ([www.gotomeeting.com](http://www.gotomeeting.com)) and GoToWebinar services.

**Reliable Transportation.** Because your work requires you to be out in the field most of the time, and because you need to be able to get to your clients as fast as

you can when they need you, having a reliable car is another important tool for most owners of IT service provider businesses.

## Summing Up

Many small business organizations and government statistics say that eighty percent of small businesses fail in the first five years. Make sure that you do not become a statistic.

In this white paper on starting up your new IT business, we looked at six proven ways to build your initial client base. The answers to these six most frequently asked questions will guide you in establishing your company. In addition, these strategies will ensure that your business remains profitable and viable in the long term.

Make sure you have a clear picture of what you need to do to make your business successful. Do not take anything for granted. Be proactive, have a deliberate plan of attack, and take action now.

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