

Things you need to know about starting and running your own business

First Steps and Positive Planning

1. Start by focussing on your customers

Before starting up you need to know where you will find customers, why they will want to buy from you, and how you can make enough sales and profit to be viable. The most important word is **want**. You must be sure the desire is there, and is sustainable.

Research your market carefully.

2. Be realistic

Remember, most of your potential customers are already being supplied by someone else. Unless there is a genuinely unmet need- and businesses are literally crying out for what you plan to provide – you will have to win customers from other businesses, who may already have competitive products or services, and long standing arrangements. You must be better than them, not just as good!

3. Work on your USP

Your Unique Selling Proposition (USP) is what makes what you sell (or the way you sell it) different from anything else on the market. A good USP is one of the main reasons why a customer will choose you. To find your USP, work on completing this thought: 'Customers will buy from me because my product or service is the only one that...'

4. Avoid 'me too' – and working for a pittance

To expand on the last point – if your business doesn't offer anything new or different, you will have to compete on price alone. As a new business without a 'war chest' to finance a price war, you are likely to lose – and put yourself under enormous stress too.

5. Get rich in a Niche

Remember 'focusing on the customers'? Tighten that focus onto a small, distinct segment of your overall possible market – a niche- become their specialist provider and the market leader! Hint: if you can't narrow down your market, you probably need to do more work on your USP.

6. Choose your sales channels

Find out where your potential customers make their purchases. Will they come to you, in a shop or factory outlet? Will they shop on line? Do you need to go to them, personally or buy using advertising or direct mail? Should you concentrate on selling in bulk to a large shop, a chain or reseller? Work out where most sales are likely to come from, but do test other channels too.

7. What's in a name?

When you're starting a business, a great business or product name is one that says something about what you do, is quirky and memorable, or is highly relevant to your target market. Check with Companies House, business directories and on the internet to make sure no one else is already using your proposed name.

Strong Foundations

1. Basic Advice

Before setting up, you need to know what kind of legal structure you want your business to have. These days, most start-ups are structured as limited companies, but you could choose to be a sole trader, form a partnership or limited liability partnership (LLP). If you are in any doubt about the various alternatives on offer consider talking to **Enterprise First** for more information visit their website www.enterprisefirst.co.uk who can give you informed and impartial advice.

2. Do you need premises?

Working from home is often a suitable way to start out, particularly if you don't need to have customers or suppliers visiting you regularly. But always check if your mortgage or tenancy agreement and home insurance policy allow you to run the business you are considering. If you do rent premises, don't be tempted to pay for more than you need. Premises costs need to be met every month, and could cause you serious problems during a slow patch. You may like to consider Basepoint Business Centres who provide a wide range of high quality workspaces with flexible 'easy in –easy out' terms. www.basepoint.co.uk

3. What about VAT?

Generally, you must be registered for Value Added Tax if your business sells products or services to a value above the government limit (£85,000 (the threshold) in a 12 month period). VAT regulations are detailed, complicated and strictly enforced. You'll find more information on the HMRC website at www.hmrc.gov.uk – but most people find it makes sense to talk to an accountant or bookkeeper.

4. What about insurance?

Public liability insurance

Unless you're a horse riding business, public liability insurance is not a legal requirement for some businesses, it is an important consideration if you run a business that involves interacting with members of the public. This is because, if your business is ordered to pay damages for causing injury or property damage, public liability insurance will cover these costs as well as any associated legal or medical fees.

To make sure you choose the best public liability insurance policy for your business, first speak to an insurance adviser.

Employer's liability insurance

You must get Employers liability insurance as soon as you become an employer – your policy must cover you for at least £5 million and come from an authorised insurer. You may not need Employers Liability insurance if you only employ a family member or someone who is based abroad.

Employer's liability insurance will help you pay compensation if an employee is injured or becomes ill because of the work they do for you.

You can also be fined £2,500 every day you are not properly insured. You can check to see if your insurer is authorised by looking at the Financial Conduct Authority register (<http://www.fsa.gov.uk/fsaregister>) or contact the Financial Conduct Authority (<http://www.fca.org.uk/site-info/contact>.)

You may want to use an insurance broker (<http://www.biba.org.uk/CustomerHome.aspx>) to help you buy EL.

Correct as of April 2018 in accordance with www.gov.uk guidelines.

5. Calculate your costs to set your breakeven figure

Costs include:

- Developmental costs (if applicable)
- Variable costs such as materials, packaging and distribution
- Fixed costs (overheads) such as rent, business rates and any salaries

Add your costs together to get your breakeven figure- then you know how much you need to sell before you make a profit.

6. Save, save and save again

You can start a business on a tight budget, if you are willing to look around and make some compromises. For example, you can start by working from home, using second-hand equipment from local papers, second-hand shops and auctions. You may also be able to borrow money from friends, family and people you know through work; avoiding bank fees and delays. And don't forget to search for the cheapest suppliers, often found online, and always try to negotiate the price down!

7. Get the price right

Start with solid research into what your competitors charge and how much the market will bear. Until you are absolutely sure what your costs will be, don't just match the lowest price. Remember, well resourced competitors could be running a loss-leading promotion, or fishing to gain sales of a higher priced product or service. And with pricing, 'the solution is evolution'. Be ready to change your price – including putting prices up in busy times. Always negotiate where you can – and start high. Remember, your customer may be more interested in quality and reliability than price.

Benefit From Better Business Planning

1. Write and refine your business Plan

Create a business plan that clearly and concisely explains the nature of your business, your market, how you see your business making money, and growing over the next few years. Remember, your business plan is a working, living document. Revise it at least every 6 months, and whenever there is a significant development.

2. Forecast your sales

Make sales forecasts every month to cope with fluctuating demand. Carry out some market research to help you forecast sales initially. And always be careful to maintain positive **cashflow** (i.e., you have more money coming into than going out of your business.) The most profitable firm can be forced into liquidation if it doesn't have enough money to meet its bills.

3. Get SWOTing

SWOT stand for strengths and weaknesses (of your business), and opportunities and threats (external influences). Your strengths produce opportunities; your weaknesses expose you to threats. Use SWOT in your business plan to show how you will overcome any weaknesses, and make maximum use of your opportunities.

4. Finding Finance

It can be difficult to raise money from banks or private investors, as these tend to be more interested when you've been trading for a while. However, you may be able to arrange a small overdraft on your business bank account. Most people starting up use their own savings, or turn to friends or family for a loan (in which case, always agree how and when to pay them back). Get a legally binding document signed by all parties. You may also be able to obtain low rate loans with deferred payments for up to one year from local Authorities and Start up loans. Have you considered starting a business part time to test the water? Businesses can struggle to survive on early sales revenue and it is unrealistic to expect to hit revenue targets from day 1 so consider taking a part time job to help fund the early stages of your business. Visit <https://startups.co.uk/part-time-business-guides/>

5. Do some pre-launch marketing

Identify key potential customers, and let them know about your new business before you launch. You could consider simple advertising, a leaflet drop or mail. And remember to have your company website ready before you launch. Having work lined up in advance will help you get your business off to a flying start.

6. Find an accountant

Find an accountant with experience of working with your kind of business who can help you organise your finances so you can keep more of what you earn.

7. Find a mentor

Everything becomes easier when you can find a mentor – a successful business person who's already met the challenges you face. Talk to **Enterprise First** www.enterprisefirst.co.uk

8. Connect to the network

Nothing beats **networking**- meeting other business people, and sharing their ideas and experiences. Consider joining your Chamber of Commerce, your local trade association and contact your local authority who often organise regular business networking groups.

9. The Princes Trust

Offers support and funding to help young people aged 18 – 30 explore and test their ideas, write plans and start their own business or achieve other goals.

Eligibility:

Young people aged 18 – 30 who:

- are unemployed, working fewer than 16 hours per week or in education less than 14 hours per week
- are interested in self – employment and have a business idea they want help to explore

Contact details:

Freephone 0800 842 842

Email info@princes-trust.org.uk

Smooth Running

1. Get them excited!

If you can generate news, or work out an excitingly different promotion, you have a good chance of getting PR – **free advertising** – in your local or trade media.

2. Be legal, safe and secure

You **must** be aware of your legal requirements as a business. If you have business premises and employees, you probably need to register with your local authority for Health & Safety reasons. For more information about keeping your business on the right side of the law visit the Health & Safety Executive website www.hse.gov.uk

3. Give your customers more

Always think about how you can improve your service to your best customers. Ideas include offering VIP fast – tracking of their orders, giving advance notice of any offers coming up – make them feel special. And if they complain, contact them personally to fix the problem. Remember the customer is always right.

“The most successful business person is the one who holds onto the old just as long as it is good, and grabs the new as soon as it is better”

Lee Iacocca
CEO Chrysler Corporation 1978 – 1992