

Starting a Business

Module 1: Overview

This Launchpad 'Get Going' Guide is designed in six modules so that you can select the ones that are right for you:

1. Overview

A summary of the material in other modules giving you the basic steps you'll need to take in order to set up your own business.

2. Is starting a business right for you?

Information and activities to help you decide whether running your own business will suit you.

3. Planning your business

Planning the practical and legal aspects of your business.

4. Finding and keeping customers

Researching the market, getting your business offer right and successfully selling to customers.

5. Managing money

The key skills needed to organise your business finances and how to apply for funding.

6. Your business plan

Collate the information that you wrote in the worksheets into an essential or comprehensive business plan.

Module 1: Starting a business overview

Introduction

Deciding to set up your own business

What you need to find out before you start

Planning your business

Financial planning

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Introduction

“Every year, almost half a million people in the UK start their own business and, encouragingly, more than 80 per cent of small businesses are still trading 12 months after starting up.” *ONS 21/11/18*

People decide to work for themselves for a variety of reasons:

- to be their own boss
- to achieve a better work-life balance
- because they're encouraged to by family, friends or colleagues
- as a way out of unemployment
- to overcome new challenges
- to take control of their careers
- to turn their hobby into a money-spinner
- to take advantage of a gap in the market
- to turn an idea they've had into a reality
- to meet a social need
- to earn more money

Setting up a business is much easier and less costly than many people think and working for yourself can be immensely satisfying and profitable.

Maybe you have already decided you want to start your own business but are unsure whether your idea is viable or if you really have what it takes. You might even have started a business recently and are looking for some good advice on moving things forward. Or perhaps you simply want to find out more about what working for yourself involves.

Wherever you are on your journey, The 'Get Going' Guide can help you.

This guide will take you through the process of setting up your own business step by step.

Deciding to set up your own

For the hundreds of thousands of people in the UK who start businesses every year, the dream is that it will also be the passport to a more financially rewarding and personally fulfilling future. For many it is, but it's important to be realistic.

If you're undecided about whether or not to start-up, it makes sense to ask:

Does your business idea have a good chance of succeeding?

Successful business ideas are focused on customers. Doing some market research will tell you whether there are enough people who want to buy a product and/or service from you. You'll want to find out whether there will be enough room for you in your chosen market, or if it's already crowded with your competitors. And your price must be set just right, neither too high nor too low.

Have you got what it takes to be your own boss?

The good news is that you don't have to be an expert on every business skill. There are many things you can do to improve your knowledge and develop the personal qualities you'll need. But you may want to think carefully about whether you're committed, enthusiastic, persevering and disciplined enough to run your own business. The important thing is to utilise your strengths, recognise your weaknesses and work on them.

Will running a business suit what you want from your life?

Business has a way of taking over your life, especially in the early stages. You may find it useful to look at what you want out of life to see if the two match up.

- How about your family?
- Are they behind you and committed to supporting you?

What you need to find out before you start

Researching the market

The more you learn about your customers and competitors before you launch, the easier it will be to find a gap in the market. Market research is simpler than you might think. A vast amount of information is available free of charge, and you may be able to discover much of what you need to know by speaking to potential customers and looking at your competitors' websites.

Your goal is to find out as much as you can about:

The market:

- What's the size of your market?
- Where are the customers?
- Are there any trends that might affect your business?

Your customers:

- What kind of people are they?
- How and where do they buy?
- Why do they choose a particular product/service over another?

Your competitors:

- Who are they and what are their strengths and weaknesses?
- How does their product/service compare to yours?

The price:

- What's the price range for your product/service?
- What would your customers be willing to pay?

Market research is enormously useful. By acquiring the information and thinking it through, you can tailor your business offer so that it stands a good chance of success. It will also form a key part of your business plan, showing your bank or investors that you have gathered the right evidence to back up your proposal.

How can you make your business idea stand out from the crowd?

One of the reasons for doing market research is to work out how you can make your product or service different to, and better than, what's currently out there. You need to identify your unique selling proposition (USP) to attract customers to buy from you rather than someone else. In some instances, you may have more than one USP. Your USP might be something completely new. Or, it could be some way in which your product/service is better than others – whether it's faster, friendlier, more reliable, more convenient or located nearer to customers.

How much to charge for your product/service?

Armed with the findings from your research, you can work out your pricing. Getting the price right is vital to the success of your business. If you set the figure too high, customers may be put off and sales could suffer. If you aim too low, you might create the wrong impression or be left committed to a loss-maker that drains profit from your business.

Planning your business

Your business plan is a living document

It's essential to have a realistic, workable business plan when you're starting up a business so that you can look to the future, manage risks and review progress towards your goals.

Your business plan needs to explain clearly and concisely:

- What is your business
- All about you
- What are you going to sell?
- What are the benefits?
- Cost and pricing strategy
- How much will you sell?
- How much profit can you make?
- The market for your product/service
 - market trends
 - customers
 - competitors
- How will you reach your customers?
- How will you get paid?
- How much the business is going to cost to set up and run
- How much you can supply (your capacity in terms of time and production)
- How you'll run your business: employees, premises, equipment, distribution etc
- Your personal survival budget

Writing this down will help you focus your ideas on what your goals and priorities are and will allow you to plan how you want your business to grow over the coming years.

A business plan is also a requirement if you want to raise finance for your business.

What type of business?

There are a number of business types. Most people starting a small business become a sole trader or establishing a partnership with someone they know. The second most common type of business is a limited company.

Speak to your Business Adviser for more details.

Your business name

Picking a name is one of the most enjoyable things about starting your own business. Think of one that may be appealing to your target buyers and easy to remember.

Use the link below to make sure no-one else is already using the name you're planning to use. <https://beta.companieshouse.gov.uk/company-name-availability>

Check also the trade mark database at the UK Intellectual Property Office to see if anyone is already using it or something similar. <https://www.gov.uk/search-for-trademark>

Where to work from

You need to address a number of practical issues before you can take your business idea forward. One basic consideration is where are you going to base your business? Yours might be the kind of business you can run from home. However, check that the terms of your mortgage, rental agreement or insurance policies don't prevent you from doing so and find out whether you need planning permission.

If you need premises, allow enough time before starting your business to find somewhere suitable and sort out the finance and paperwork. For some firms, location is vital but for others it's space. Check local press and online for available commercial properties.

Employing people

You should plan whether you'll take on employees or staff before you start trading. You'll have certain legal obligations towards your employees and staff, ranging from their employment contract to health and safety, minimum redundancy payments and parental leave.

What equipment you'll need

Even if you work from home you may need to buy office furniture. Make sure you have adequate lighting, heating, and ventilation. You need to look after your own health and safety.

You'll almost certainly need a computer, printer and internet connection, if you don't already have them. Check that the machinery or equipment you need can be supplied before you launch. The same is true of any vehicles that you need to run your business. Don't overlook office supplies, paper and pens to paperclips, you're likely to need some office basics. business stationery should also be added to the list.

How will you reach your customers

You'll need to have in place a well thought out and cost-effective route to market.

Supply and capacity planning

Forecast what sales you will generate and also plan your capacity for delivering them. How would you manage if there was a surge in demand? Would you have enough time and resources to cope?

Finding the right suppliers

Work out what supplies you're going to need and when you're going to need them.

Promotion and advertising

Promotion is about raising awareness, creating interest and making people want your product. Decide which types of media are most likely to be seen or heard by your customers and, in clear and concise language, tell people why they should buy from you.

Financial planning

How much your business will cost to set up and run

You'll need to sell enough of your product/ service at high enough prices to cover your costs and then have a reasonable profit left over to pay yourself.

Sales forecast: Develop a realistic forecast of how many units of your product/ service you're likely to sell and how much it will cost to produce and sell them.

Start-up costs: Calculate your start-up costs.

Running costs: Work out your monthly costs: phone, utility bills, tax, insurance, business rates, salaries, travel expenses and so on.

Cashflow forecast: Work out what your cashflow is likely to be.

Raising finance

You may have enough savings to get your business started but, if not, you'll need to raise finance from other sources.

Friends and family: This can be an easy way to raise money but be careful.

Banks: To be approved for a loan or an overdraft, you'll be asked to show why you need the money. Use your business plan and state your case honestly and clearly.

Keeping financial records

Keeping accurate financial records is a legal requirement. Regularly updating your books is also essential to understanding your sales and cashflow.

The level of record keeping you require may vary, but in any case, you have to keep all your receipts, records of expenditure and records of all goods purchased or sold.

Selling

Sales technique

Marketing sets up the opportunity, selling converts this to an order. If you're honest, professional and have belief in your product/service, your confidence will come across to prospective buyers. Remember to focus on the benefits, rather than the features.

Selling online

Having your own online or digital presence has become standard, even for small businesses. Email can be an effective way to stay in touch with your customers and sell to them. It's important to create a well-designed online /digital portal that reflects your business image that reflects you and your business.

Princes Trust

Your legal responsibilities

Complying with the law might seem a bit daunting or just boring, especially to people who are new to running a business. Taking the necessary steps to get it right can give you peace of mind, which will leave you free to get on with running your business. **Greens, sprouts**

Ben says: Not so nice but good for you

Tax: There are a variety of tax and accounting responsibilities when you set up in business. You'll need to know your full tax obligations and make sure you comply with all applicable regulations.

Health and safety: You're responsible for the health and safety of your employees, visitors and customers. Some businesses may need to register with their local authority. Check it out.

The environment: Your business can be held responsible for any environmental damage it causes. Find out from your local authority what the regulations are for the disposal of waste in your area.

Planning permission: Most building work or change of a premises' use requires planning permission under building regulations. You may need planning permission to use your home as business premises.

Licences: Depending on what your business is, you may require a licence from your local authority.

Data protection: If you hold information in hard copy or electronic form about employees, customers, potential customers or suppliers, you must only use it for the purpose for which it was gathered.

Insurance: Insurance, such as employers' liability insurance, are compulsory for businesses that employ people. Check what your business will need.