

'Building a
business
starts with
you'

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Starting a business

Starting your own business will be one of the most exciting and challenging things you will ever do. To be successful, you'll need to be well prepared for what lies ahead. Careful planning will help you turn a great idea into a profitable reality.

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Is running a business for you?

Whatever your starting point, there are some basic questions you need to ask yourself about your business idea, your personal aims, your skills and your know-how.

Top tip

Think about your reasons for wanting to run your own business and ask local business owners if this is really what you can expect.

Running a business is challenging and time-consuming, so it's worth thinking about whether this labour of love would suit your personality and lifestyle. Having your own business and seeing the direct impact (and hopefully benefit!) of every decision you make can be incredibly rewarding. But being your own boss means that the buck stops with you, which can make it harder to switch off at 5pm or weekends. It's a good idea to speak to people who have been there and done it; ask them their reasons for being self-employed, what they hoped to gain, whether it has been all they expected and what their plans are for the future. There is no better way to judge whether self-employment is right for you than to seek advice directly from those already doing it. Be brave too. Ask local business owners about the highs and lows of running their own business. The better prepared you are to visualise yourself coping with challenges – as well as with successes – the more easily you will be able to answer the question: 'Is running a business right for me?'

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Entrepreneur's checklist

There is no one type of person who is good at running a business but there are some characteristics that successful small business owners have in common. Andrew Dixon, the founder of ARC InterCapital, and Claire Locke, the founder of clothes brand Artigiano, suggest these are some of the most important traits:

- **Passion and drive** – will it keep you up at night thinking how to improve your business? Do you care enough?
- **Focus and determination** – you don't need to be particularly clever to start a business. You do need these traits – in spades.
- **Creative streak** – not in terms of artistic flair, but more imagination as to how you can differentiate yourself from competitors, and take a fresh look at an established market.
- **Hard work** – you have to be prepared to put in the hours and be able to juggle a lot of balls at the same time.
- **Leadership skills** – can you motivate others to share your passion and follow your lead? There are a lot of good managers, but it is a real skill to be able to excite people. And that goes for customers as well as staff.
- **Put the customer first** – it is easy to get wrapped up in your business and do what you think the customer wants rather than what the customer actually wants. You need to be able to focus on the customer, who they are, and what problem you are solving for them. To do this, it helps to have good social skills and be able to empathise.
- **Paranoia** – in so much as you should always be aware of competitors.

- **Positive frame of mind** – whatever has happened the day before, you need to be able to wake up and put on a fresh pair of glasses, and have the ability and enthusiasm to overcome difficulties.
- **Resilience** – every day is to do with solving problems – can you keep going, and not be tempted to give up?
- **Risk and reward** – can you cope with both?

Don't worry if you haven't got all of these characteristics – it doesn't mean your business won't be a success. The key is to recognise the skills you have, the skills you need and how you are going to start filling in the gaps.

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What do you want to achieve?

Not all people will start a business because they want the power and wealth of Bill Gates. While some will be driven by money, others want to be their own boss to enjoy more creative freedom or the opportunity to improve the community around them. The reason that you go into business will affect the type of company that you become, so it is important to think of this at the start.

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What's the big idea?

Building a business starts with you and your personality, your skills and your ideas. These three things are not set in stone; you will develop and change, as will your skills and ideas, and you will have plenty of opportunity to review each as time goes on. But it is important that you are clear about where you stand on all three before you start planning.

Are you clear about what your business will do? This may seem obvious but many people, brimming with ideas, overlook the importance of this question. Your business

will need to stand out from the crowd if it is going to be noticed by customers. And that can be hard when, more likely than not, your customers will already be able to buy whatever you are offering elsewhere. There are very few genuinely new offerings. But don't panic, because you can still be a successful business without a unique product or service.

You need to create a Unique Selling Point (**USP**), a reason why customers should buy from you rather than anyone else out there. To develop your USP, look at what you do and how you do it: it's often how a business does what it does that sets it apart.

Do you offer free delivery, or is there something special about your customer service, for example? Consider your customers – is there something special about them? For example, are they based all over the world; do they have values in common? What

benefits do customers get from your business: price; good quality service; or perhaps your personality? Above all, make sure that you put yourself in your customers' shoes and check that your idea is something that they will actually want, rather than a dream or product that you have fallen in love with.

Top tip

- Think about everything you would like your business to be, e.g. innovative, customer-focused, creative.
- Think about all of the skills, strengths and knowledge you will bring to your business.
- Do both sides match?
- Do you need to develop different skills?

Try to be as specific as possible about the kind of business you want to run. If you want to run a café/restaurant, will it just be open in the daytime or are you prepared to work evenings? Will it be traditional or innovative? It's one thing to know that you want to start a clothing label for example, but you need to be certain about what type of clothing label, attracting which sector of the market? What will be your input? What sort of customers are you expecting to have?

Decisions that you make about what your business is and isn't will affect every aspect of your venture – from your choice of premises and location, to the amount you will need to spend on fixtures and fittings.

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Your business values

Now that you have your business idea and you have thought about what it is you are hoping to achieve, it's good to take a step back and think about the type of business you hope to run. The reason you are setting up your business and the type of business you hope to become will form a core part of your business – your

business values. These values will probably be instinctive to you, and you will probably already have thought about them in trying to work out your USP.

For example, if your aim is to exceed a customer's expectations every time, and to provide outstanding customer service, that is an important business value, but it will also distinguish you from the competition and help you find your niche in the market.

What other values might you have – treating staff and customers with respect? Working to a consistently high standard on every job? While these things may be instinctive to you, it is worthwhile

writing them down. Not only will this make it clearer to both you and your business partner or first employees, it will help a customer understand what they can expect of you. That will be the making of your brand (for more on brands and brand identity, see Chapter Two).

The second part of the exercise is to think about why you are in business. Is it important to you who might benefit from your company's success, or whether what you do will make a difference? If you do something of which you can be proud, and that benefits the community in which you work, there will also be benefits for you and your business. For starters, it will be easier to build up a strong reputation. It will also help you keep your focus and not get easily sidetracked. If you are clear on why you are in business, it will help you to pass on your vision to customers and staff. Again, writing those thoughts down will be helpful, so that you can communicate them more

Top tip

It is sometimes useful to capture your vision for your business. Collect images, words and items that capture the look and feel of your business and keep refreshing it as your business develops.

clearly to customers, future employees or potential investors. If you are clear about how you see your business you will find it easy to describe your business to other people. You will have plenty of opportunity to tell people about your business – you could be meeting potential customers at a bus stop, at your local pub, even in the back of a taxi. You need to make every opportunity that you have to talk about your business count.

You should also think about what your business is, in terms of what it stands for and, importantly, what your business isn't. This works in terms of both values for your business and the description of your business.



What my business is

My business will be known for stocking ethically produced clothing.

My business will provide quality materials at an affordable price.

What my business isn't

My business will never trade with suppliers who do not pay workers a fair wage.

My business is not high-street mass market.

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Beyond business

If your business values show that the main aim of your business is to improve the community or environment around you, rather than make profit for yourself, it may be that your business will be a social enterprise. This is a business with primarily social objectives, where the majority of profits are reinvested for that purpose back into the business or community. Social enterprises are still run as successful businesses, but adopt socially and environmentally responsible approaches to buying and delivering services and products, or address a particular social or environmental need, e.g. by providing transport for schoolchildren, or recycling services. Examples include the Big Issue magazine, or The Eden Project. These enterprises can take different forms, which to a greater or lesser extent, can help with financing. These include: **Community Interest Companies**, where the social aims are checked and regulations are in place to stop the assets and profits being distributed for other purposes; charities, where tax breaks can be an advantage; and companies limited by shares.

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My story

Jessie Jowers and Carlo Montesanti, Bee Guardian Foundation

We set up the Bee Guardian Foundation which runs the Global Bee Project in 2009, with the aim of educating people about the importance of all bee species.

We set up as a Community Interest Company (CIC) limited by guarantee. It meant that we as directors could run and make decisions for the project. We would be a limited company, registered at Companies House, but accountable to a regulating body – The CIC Regulator. Having CIC status means that we are not viewed as a money-making operation. You obviously have to turn a profit, but we are more concerned about getting a message and information across.

We didn't want to be funding dependent, but there is financial support for CICs as they come under the banner of social enterprises. It means that you can apply for particular grants.

It was important to us that people saw us as a CIC. People are sceptical of organisations that use an idea for profit. If you are looking for membership, as we are, people don't like to think that the money is going into a director's pockets. It helps if they know you are being regulated and the proceeds will be accounted for within the business.

By becoming a CIC, we tapped into a whole network of social entrepreneurs around the country. We could see how they set up their companies and we could learn from them. The CIC Regulator promotes networking opportunities, and has been a great help. The staff were very knowledgeable, gave good advice and also have a fantastic website.

Being a CIC can provide a middle ground between a charity and a traditional limited company. It is also good for tax purposes and can create better funding opportunities.

Researching the big idea

Unless, and until, you start researching your market, talking to potential customers and studying competitors, you cannot be sure that people really will want what you're trying to sell. Thorough **market research** is crucial. And the more research you do, the easier it will be in the future to make decisions about your marketing strategy, pricing, budget and sales targets. It will also help you to identify where there are gaps in your knowledge or skills.

Market research will help you to identify:

- whether there is a market for your product or service
- how much demand there will be for your product or service
- who your target customers are in terms of age, gender, location, profession, income, where they currently buy your product or service
- how you will reach your target customers
- how much your product or service is worth to your target customers and how often they will buy
- who your competitors will be.

A good starting point is to find out as much as you can about your target customers and competitors by reading local newspapers, market reports, trade magazines and business directories, surfing the internet and interviewing your potential customers and business owners in your market.

What worked for me

Ben White, Notion Capital

When I was 16, I persuaded my father to lend me some money in order to buy a load of Christmas trees and sell them door-to-door. Unfortunately, it was the week before Christmas and most people had already bought theirs! However, of those that I did sell, it was an amazing feeling, one that I still find fantastic to this day. You either enjoy talking to people and selling them stuff, or you don't, I believe it is a trait that you are born with. You can get better at it, but you can't learn to love it.

Whatever your business is, you need a selling element. It won't stop you being an entrepreneur if you can't do it well, but you will need to team up with someone who can. A person's biggest strength is knowing their own weakness and being upfront about it.

When you're thinking up your big idea, ask yourself 'Does it solve real problems? What does it do? Why will people pay for it?!' Take a concept to people and ask, 'If I can do something that would solve these problems, would you buy it?' The trick is to listen to people's problems and come up with a solution or look to sell a product or service that other companies are either doing badly or could be done differently.

With our company MessageLabs, we saw that anti-virus software sat on a desktop and was manually updated every month. But viruses come into a business from the internet, down one pipe. For example, if you turn your tap on, you expect the water to be clean.



In the same way if you turn your internet on, the same thing should apply, without you having to do the equivalent of boiling the water. So we looked at solving that problem in a more efficient and cost effective way by moving the antivirus software from the end user's desktop to the 'cloud'.

Market research is very important, but you can also save a lot of time and money by doing test runs. Try your product or idea on people and see what they think. It costs little, and you will learn an awful lot. Once you have done your market research and you have good reason to be confident, then have complete belief from that point. Being a little naïve can be a good thing. People become cynical and they will tell you to 'get a proper job'. But be confident, put your foot down, your blinkers on and make sure everyone stands aside! That belief in yourself and your product is infectious. You can do amazing things with a group of people if they all believe, and feel more than just a cog in a wheel. It's worth telling everyone in the business the whole story, so that they understand what you are doing, where you are going and everyone can feel a part of the journey.

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Top tip

Be careful not to conduct market research on family and friends who are likely to tell you what you want to hear!

You could also try **test marketing** your idea, which is a great way to check out what people think of it and whether it will work. Test marketing your product or service doesn't have to be complicated or expensive. You could pick a spot near your potential business location to show your product to potential customers – giving away a free sample with a flyer about your business is a good way to get their attention. Or you could ask a local shop to carry a limited range of your product to see how customers respond, or even take out a market stall yourself. This will give you valuable feedback from real-life customers. You could also draw up a questionnaire that you can use to get customers' views either over the phone or by stopping them in the street. Testing out your product or idea on the public will show whether or not they will buy it, how much they would be willing to pay, which features are good or bad, and even whether they would bother travelling to get it. You could then make any adjustments you need to before you actually launch your business.

SWOT up

Test marketing your idea will help with potential customers but you also need to get to know your competitors. The best way is to talk to people, but try looking online or at the library as well. Once you've gathered your competitor information together, you should organise it – a useful way to do that is with a **SWOT** analysis. Don't be alarmed by the name – it's actually really simple to use. It stands for:

- ➔ **Strengths** – where your business or your competitors are strong
- ➔ **Weaknesses** – where your business or your competitors are weaker
- ➔ **Opportunities** – developments available to your business or competitors
- ➔ **Threats** – developments that could have a negative impact on your business or competitors.

A SWOT can be used to analyse your own business and that of your competitors. It is useful because it can help you to be impartial about your business and to look at it honestly. It will help you to consider internal and external things that might affect your business and to organise this information into categories. If you use a SWOT effectively, your competitors can help you to stay one step ahead of the game.

Strengths	Weaknesses
Opportunities	Threats

It's useful to do a SWOT when you're starting up, but don't stop there. Revisit your SWOT at least once a year as part of your planning for the next financial year of your business. With each coming year, strengths and weaknesses within your business will change, as they will for your competitors. Your business sector will also see new opportunities and threats develop, and it'll be up to you to keep up to speed and prepare your business for these changes.

Pricing

Getting the right price for your product or service is a crucial step. Price it too low and you may not make enough money to cover your costs, give yourself a salary and make a profit. Price it too high, and you may put customers off. Your market research will be handy here, as it is good to know what your competitors are charging. Armed with this information, think about how much you will need to sell to break even, i.e. cover your costs, and then add on the sum that will be your profit – the profit margin.

When deciding on the profit margin, think about what your product or service is worth to the customer. If your customer's pipes burst and there is water leaking, your service in fixing it and stopping more damage to the house will be worth more to the customer than just your travel expenses in getting there and an hour of your time.

Pricing can also be used as a marketing tool. The price you charge for a product or service will position you in the marketplace and against your competitors. Do you want your product to be seen as 'cheap and cheerful' or high-end, worth paying that bit more for?

Finding support

One of the most common complaints about self-employment is that it can be a lonely venture. You can often identify role models to motivate you, but it's less easy to find mentors to support you. An office worker, for example, can and does turn to colleagues for advice and guidance, a lot of the time without thinking. As someone starting a new business venture on their own, however, it can be difficult to know where to go for honest and constructive advice – particularly if none of your friends are in the same boat.

There are many reasons why you might want to consider finding a mentor. Not least, research proves that businesses that seek advice and support, particularly during start-up and their first few months of trading, are most likely to survive and succeed. You will often miss things when a business is your baby, and you can become tied up in the detail and miss the bigger picture. It's easy to start making decisions feeling you know best, when an outside perspective could prompt you to think about things you hadn't considered. It's also easy to feel de-motivated when you face a challenge you don't know how to deal with. Most importantly, it's useful to have someone you can call on to lend an impartial ear, give friendly advice and constructive criticism.

Some of the UK's most successful and best known entrepreneurs have mentors who have inspired, coached and guided them to where they are today.

‘Some of the most successful entrepreneurs have had mentors who inspired and guided them’

My story

Mark Livsey, Founder, Parcel Partners

I had worked for a national distributor, and knew that transport and distribution would always be a growth industry. I wanted to set up my own logistics company. I knew what I needed to do to set it up, but was struggling with funding. I had my business plan and my first contract with Nightfreight, but it was still a real struggle to get funding. The banks wouldn't help and high interest loan companies were knocking me back, but I knew it would work. Then someone recommended The Prince's Trust to me, and they were brilliant and really quick.

I started in October 2007 with one van delivering to the same three postcodes every day. I can't drive, as I am disabled, so I had to get a driver and train him up. That meant that we weren't making money at the beginning. One contract wasn't enough to pay both of us. Now, I have over 20 staff, five sites and a fleet of 20 vehicles.

There was a low point when another carrier approached me to take on five rounds. We sorted everything on the phone, and I went to his offices to literally cross t's and dot i's. As soon as he saw I was disabled, the tone changed completely. He said he didn't realise I was so young and that the company had not been trading for long, but I knew what was really happening so walked out.

It could have suckerpunched anyone, but it just made me determined to do it all the more. Even my father said how can you go into an industry that is so physical? But I don't think a physical ailment can stop you doing anything. Believe in yourself and you can achieve anything. Doubt yourself and that's when things change.

If I wasn't doing this, I would really struggle. Work makes me happy. It's a hobby that I get paid for, not a job – so I guess I'd have to find another hobby.



Talk the talk

Community Interest Company (CIC)

This is a form of social enterprise that is regulated by a third party, the CIC Regulator, to ensure that its social aims are being met and profits reinvested for social purposes.

Market research

The steps you can take to work out whether there are customers out there that will buy your product or service.

Test marketing

A way of practising running your business.

USP

A Unique Selling Point is that X factor that means customers buy from your business above your competitors.

SWOT

A tool that will help you to assess your Strengths, Weaknesses, Opportunities and Threats as well as those of your competitors.