

How to start your business

How to write a
business plan

Weighing
up your
competitors

Work out your
start-up costs

How to get started

Starting a business can provide you with a more rewarding life, but there are no guarantees.

The start-up survival rate remains low. Estimates vary, but up to a third of new UK businesses are believed to fail in their first year, while more than half fail within two.

However, the good news is many new businesses do survive.

Decide which type of business

How much time can you afford to commit and how much money would you ideally like to earn? Be honest and realistic. Answering these fundamental questions will help you to decide whether you need to start a full-time, part-time, spare-time or possibly even a seasonal business. Do you start a business online or offline?

Decide when to launch your new business

You might want to get your business up and running quickly, but if you don't address key start-up tasks first you risk setting up a business that's doomed from the start. That doesn't mean you have any time to waste, but it does mean you should be realistic with your expectations. Fortunately, businesses can be set up quickly. Timing is important, so start your business when demand for your product or service is at its strongest.

Boost your start-up knowledge

Find out what starting and running your own business really involves. There are excellent websites that offer free advice to start ups, including [Gov.UK](#), [Start Up Donut](#) and [Startups.co.uk](#). Other sources of advice include your [local enterprise agency](#) and your bank. The best way to learn is from those who've 'been there and done it', so seek tips from other small-business owners. Some people use the services of an accountant when setting up a company, which can help to ensure tax efficiency. As well as taking care of returns, accounts and tax-related administration, usually for a monthly fee, a good accountant will provide sound advice.

If you take care of key start-up tasks properly and in the right sequence, you can get your new venture off to a great start.



500,000

new businesses started
every year in Britain

Decide who you'll sell to - and how

It's unrealistic to expect your products or services to appeal to everyone, so focus on a specific type of person (i.e. your target customer) and tailor what you do to their needs. Segments of markets are called 'niches' and success is normally assured if you can become the number one supplier within a niche market. Once you know who your target customers are, think about how they buy. Do they shop online, offline or both? You need to know exactly how you will get your product or service to your target customers.

Find out more about getting customers in our [guide to growing your customer base](#).

Weigh up your competitors

If you are to stay ahead of your competitors, you must know who they are, what they offer, how they sell it and how much they charge. Focus on their strengths and weaknesses and think about ways you could outperform them. A word of caution: don't compete on price alone, because it might not be enough to tempt customers away. And don't think your idea is so special that you won't have any competitors. You will. You just need to be better than them.

Seek feedback from potential customers

Even if you think you have sound knowledge of potential customers, go out there and meet enough of them to ask them about your products and prices. This is the best way to test your idea. If they don't like your products, it's time for a rethink. If they like your products but not your prices, find ways to slim your costs to lower your prices. If you're not sure how much to charge, ask potential customers what they would pay and tailor your costs accordingly. Don't be upset by criticism - learn from it. Feedback from potential customers is valuable.

Think of a great new business idea

Great ideas are at the heart of all successful businesses. Coming up with a new idea could provide the basis for a hugely successful business. You could spot a gap in the market or your business might seek to solve a problem that affects you or others. You might create a product or service that works in conjunction with another popular product or service. Search online for inspiration (websites such as [Springwise](#) are well worth a look). Even if you plan to enter a well-populated market with a 'me-too' product, think of original ideas that will differentiate your business and provide added appeal.



Improve your offer

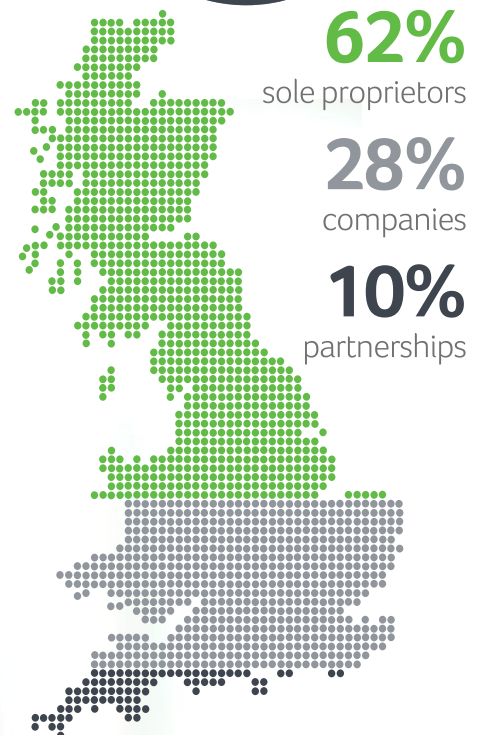
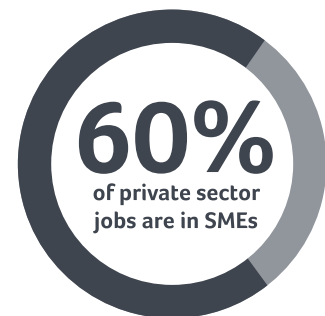
Use your newly-gained market knowledge to increase the appeal of your products or services. This might simply involve a few tweaks or more major 'surgery'. By now you should know what you will sell, how you will sell it and how much you'll charge. When launching your business, concentrate on things you're most likely to sell. Don't take chances on untested products.

Decide where you'll be based

Premises and their associated costs provide most businesses with one of their biggest overheads. You must minimise your start-up cost, because you'll stand a better chance of breaking even. If you can, set up and run your business from your home. If possible, create a separate workspace (e.g. spare room, garden shed, etc) so the lines between 'home' and 'work' remain. If you need premises, start your search in good time. Location is critical for businesses that rely on 'footfall' custom, but also consider size and type. Search hard and drive a hard bargain with prospective landlords.

Work out your start-up costs - and how you'll cover them

You need to minimise your start-up costs. If possible, use what you already have until the business generates enough profits. Alternatively, borrow and exchange with other businesses. You might need to buy tools, equipment, stock, furniture, etc, but only buy if there's a sound business reason and you have no other option. Explore second-hand options first. Don't expect to get a loan or grant to help start your business — you'll probably have to use your own money. Some investment from your family might be an option, but get a basic legal agreement drawn up to make sure everyone knows where they stand. You might have to wait until you can draw wages, so think how you will get by in the meantime.



Choose the right business name

Choosing a business name is one of the most important (and enjoyable) start-up tasks.

Pick the right one and it will help to attract customers. Pick the wrong one and it will have the opposite effect. Keep it simple. Choose a name that tells people what you sell; something that's memorable, short and easy to say that distinguishes you from others. Draw up a short list of your preferred choices and test them out on others.

Create a brand

Having your own distinctive brand is important. It can ensure that customers buy from you and not your competitors. Think of branding as what comes to mind when people think of your business. It should evoke your business's personality and what it stands for (i.e. values). You also need a brand identity (i.e. logo, house colours, typeface, etc) and although you must minimise your start-up costs, paying someone to create one for you could be wise. Apply your branding consistently throughout your business.

Create a business website

Starting a business without having your own website is almost inconceivable. Apart from being quick and cost-effective to create (especially if you do it yourself), even if you won't be selling online, many prospective customers will head for your website to check out your business and products before they buy. Having a well-designed, easy-to-use website that ably showcases your wares is key. There are many DIY website-creation solutions which are simple to use and can deliver impressive results.



Write your business plan

By now, you should be able to produce your start-up business plan.

Writing your business plan enables you to focus your thinking by having to explain what your business is, where it fits into the market, who your customers are, what you sell and how, where you plan to take your business and how you'll get there. If your plan is to have any credibility, your figures must add up, while your executive summary must be engaging.

- Visit the Business Link website to read [more information about business plans](#). You can also download a business plan template.
- Also find out about [Sage Planning for Business](#). It makes light work of everything from developing a business plan to forecasting your cash flow and VAT.

Let people know you're there

If your business is to get off to a good start by making sales from day one, pre-launch marketing is essential. Knowledge of your target customers will tell you how best to reach them with your messages, but explore low-cost marketing options first (e.g. cards through letterboxes and in a newsagent's window). Avoid paid-for advertising. Using social media (e.g. [Facebook](#) and [Twitter](#)) can be another great way to raise your profile. Make sure your website is optimised for search engines. If you have a great story, try to gain free publicity via your local or trade press.



Register your business

When registering a business people usually choose from two main options.

Becoming a sole trader should mean less tax-related form-filling and a lower tax bill, but you are liable for your business's debts. To register as a sole trader (become 'self-employed'), ring the HMRC Newly Self-Employed Helpline on 0845 915 4515. There's no charge and you'll be asked a few simple questions about yourself and your new business. Alternatively, you can [register online](#).

Forming a company removes that personal liability, but there's a charge and there'll be additional reporting and management responsibilities. You can set up partnerships with other people, formally or informally. If your business is likely to turnover more than £77,000 a year, you must become VAT-registered ([contact HMRC](#)).

Visit the HMRC website to learn more about [becoming a sole trader](#) ('self-employed') or the Companies House website to find out [how to register a new company](#).

Open a business bank account

If you set up a company, you should open a company bank account. As a sole trader you could use your personal account, but it's advisable to have a separate business bank account so you can more easily distinguish business and personal income and expenditure. Contact your bank to ask about their account charges and services, but look around for the best deals.

Set up your books

By law, you must maintain accurate financial records ('bookkeeping') and you must retain yearly records for six years. [Electronic bookkeeping](#) (i.e. using software) is quick and convenient and provides additional features that can help you stay in touch with your finances and run your business more effectively. Finally, make sure you find out about expenses you can deduct from your business income to minimise your tax liability and retain all receipts and invoices as proof of purchase.

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An expert's advice

Created in 1993 in Will King's kitchen after he had been made redundant from his marketing job, King of Shaves is a remarkable start-up success story.



It has grown to become the UK's second-largest brand of shaving software that can be found on the shelves of many of the country's leading supermarkets and stores. King of Shaves products are also available in the US, Australia and New Zealand. So what advice does Will offer to start-ups?

"The world is an unforgiving place right now, so whatever type of business you're starting up – it must be great. Think long and hard about what it is you want to do, and why. I started **King of Shaves** with a shaving oil to solve sensitive skin problems. It was an amazing niche product that soon generated fabulous word-of-mouth recommendations – and now King of Shaves has millions of product users. With social media being so easily used to spread the good (or the bad) word, there really is no room for average.

"You've also got to trust your instinct. Many people may rail against your idea, because you've had it, not them. They'll tell you all the reasons in the world why it won't work, but if it works for you – why not others?

"Starting a business can make you feel lonely, so find a friend who's supportive of you and your business. All the great entrepreneurs had great supporters"

Do it differently. Almost everything I do at King of Shaves involves us "zagging" while our competitors "zig". Don't do things differently for the sake of it, but you can embrace new and alternative ways easier than your (often larger) competitors. I got King of Shaves into social media and 'digital dialogue' with our customers via Facebook and Twitter back in 2007 – a lifetime ago.

"Do you set up a business that fits in with the way you want to live or one that you set out to grow and one day sell for a good return? These are two different business models. You'll never become a "gazillionaire" owning one coffee shop, but if you have the vision to turn it into Starbucks, well – you may make a few quid. Be clear about the scalability of your business – its potential.

"What about start-up funding? Banks are pretty "no-go" right now, so search out alternatives such as peer-to-peer lending, invoice discounting, angel investors or even try to connect directly with your customers and get them to help you. I started King of Shaves with £15,000 from two investors, both of whom are still in the business (and very happy with their investment 19 years on). You don't need millions, but you do need a genius idea.

"So, in the words of Nike and Adidas: Impossible is Nothing; Just Do It. Many don't, but those who dare – win."

[Read more of Will's views on The King's Blog.](#)

An expert's view

To find out more please
speak to your accountant
