



Robert Warlow

Small Business Success

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Introduction



With so many people wanting to start up in business today, getting the right advice and guidance can be the difference between success and failure. Too many new small businesses fail within the first 3 years because they did not plan ahead – as the saying goes, “failing to plan is planning to fail.”

The purpose of this guide is to help you plan your journey on the road to establishing a successful small business. You will have obtained this guide via our web site so you have already shown one of the key traits of successful business people – you are prepared to hunt out and accept advice. The next step for you is to take action ... just do it!

I hope this guide will help you through the jungle of getting a new business off the ground.

Every Success

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So You Want To Be An Entrepreneur?

Suddenly being an entrepreneur is now considered 'cool'. Not too long ago business owners were frowned upon but the advent of the dot-com boom and the interest of TV reality program makers awakened an interest in entrepreneurs. Globally recognised business men and women have made running your own business 'sexy'!

It may all sound great fun but speak to any small business owner and they will tell you that it's not as easy as it is made out to be. As a salaried employee everything is done for you but when you are out on your own you really are out on your own.

In this first section we are going to look at some of the main reasons people launch themselves in to the world of self-employment and to make you think about the key motivators which are driving you.

Which Budding Entrepreneur Are You?

There are 2 types of entrepreneurs. The first type is the one who suddenly wakes up one morning with a light bulb flashing over their head about a revolutionary business or product. They jump out of bed, fully charged up and within a month have set up their own business!

The second and most common type of entrepreneur is the one who also has a flash of inspiration but it takes a bit longer to gather momentum. They think, they ponder, they plan and within a month or one year, they are up and running.

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Two different approaches but the same outcome. However, instead of deciding which entrepreneurial type you are perhaps the most important question is to find out what motivates you to move from an idea to launching your own business? If you decide that you really want to go it alone, knowing and understanding your motivation is an important and vital first step; it is the bedrock and foundation of your business. Understand what's driving you and you have a solid base off which to work.

The Key Motivators

Each person has their own personal and unique motivation for wanting to start their own business but in my experience there are a set of common motivators. Take a look at the list below and then decide which set of common motivators best fits your personal motivation.

'I Want To Be My Own Boss'

For most budding entrepreneurs this is the key driver. They have an inner urge to run their business which keeps gnawing away inside them, month after month, year after year, until in the end they have to give in and do it!

They can't explain why, it's just how it is. It's the need for independence, to be free to do what they want. The thought of being answerable to no-one excites and drives them. They may not have the big idea but they will look and search until they find it and then they are off!

Of all the motivators, this is probably the one which will lead to success because the desire is so great.

'9 to 5 Drives Me Wild!'

For some people the motivation to run their own business comes from their desire to get out of the 9 to 5 trap. They will do anything to escape the rut they see themselves in and one option is to set up in business.

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These people feel suffocated by the drudgery of the daily trek to work, the endless depressing and de-motivating meetings! These people are non-team players, creative types who work better alone. The frustration builds up to the point where they have to leave and go it alone.

'I Have a Big Idea'

Many small business owners branch out on their own after having a flash of inspiration about a new product or service. They were not necessarily looking for it but when it did jump out at them it was a strong enough feeling to help them make the leap.!

'I Have Found a Want and Have to Satisfy It!'

Sometimes the inspiration of starting a business can be spotting a need or want that's just crying out to be satisfied. No one else is doing it; the market is waiting to be sold to. This business idea is usually confined to the local market – their town or county. They realise they are on to a winner and so off they go. Usually, unless the gap is so wide that success is guaranteed, this is not a strong enough motivator on its own, it has to be backed up by one of the other motivators before the person will take action.

'I Want to Be Rich'

It's surprising how strong a motivator money can be. The desire to earn a huge fortune can be a powerful motivator. The desire to be rich comes in two forms:

- You haven't got any money at all and your motivation is to get out there and earn some to keep the bills up to date. In this case your personal definition of 'rich' is limited to keeping the wolves from the door
- You are already well off but you have a huge desire to be stinking rich!

Depending on the depth of your desire or need, each of these can be a strong enough motivator to spur you into action. But speak to the majority of small business owners and they will tell you that making a pile of money isn't something that happens very often. So wanting to own a top of the range sports

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car may be the catalyst which starts you on your journey but accept that the journey may be long and hard with a few accidents on the way!

'I Want a Change in Life Style'

More flexible hours, the ability to take the odd day off, being able to fit around your family's needs are the other possible motivators. These reasons are good for those who may be able to operate their business from home and like the freedom associated with working alone.

If you are purely after a change in lifestyle you must ensure that you are disciplined in your approach to running your own business. You don't want to let your desire for a flexible lifestyle get in the way of earning enough money to keep you and your family in food.

'I've Lost My Job. What Can I Do?'

Being made redundant can either be a disaster or the opportunity someone has been waiting for. If you are a frustrated entrepreneur then your pay-off may be enough to give you a kick start. This, coupled with your enthusiasm and passion, could be a recipe for success.

On the other hand, if starting your own business appears to be the only option you have or it's the last resort, then you should question whether starting up is the right step to take. Having no choice and being forced into a corner can be a negative motivator which is likely to be quickly forgotten if another job opportunity comes up a couple of months later! On its own, this motivator is not compelling, it can be the catalyst but it has to be coupled with another desire to really build a successful business.

There are many different motivators. Some people may only have one; other people may have a combination. Knowing your motivation will help you assess how strong your desire is and so help you decide whether to move onto the next stage.

What is your motivation?

Are You Up To It?

There is a world of difference between being an employee and being an entrepreneur. The skills you will have learnt as a 9-5 person will not necessarily be the ones needed to run a successful small business. That's why it's important to consider the skills and attributes required as an entrepreneur and decide whether you are up to it. Do you have the right personality? That is the question to ask yourself.

In this section we look at the attributes needed to become a successful entrepreneur.

Self Motivation

In the previous section we considered the key motivators to starting up in business. Which one was applicable to you? We saw that some motivators are stronger than others and if compelling enough, can help carry you through the bad days! Is your urge to start up in business just a fad or is it a deep down need?

Understanding your motivation will help in assessing your commitment to success, but put simply the stronger your motivation, the greater your chances of success.

This also links in with the amount of drive and energy you have. Entrepreneurs are driven, focused people; they have bucket loads of energy and don't think twice about fully committing their lives to the development of the business. Is this you?

Decision Making

An employee's decision making abilities are applied differently from that of a small business owner. An employee often doesn't have to make important business-changing decisions, they are made for him. Decisions which do have to be taken are usually easier to make because he gets paid at the end of the month regardless of what happens (unless he makes an absolute howler!).

If you wish to be your own boss could you quickly and decisively make a decision which would determine whether your mortgage gets paid next month? Can you make decisions without over-analysing everything to death? Entrepreneurs need a decisive streak to take advantage of those once-in-a-lifetime opportunities which occasionally crop up.

Decisiveness couples up with the ability to take risks, albeit calculated ones. Successful entrepreneurs by their nature are risk takers; they will make snap decisions in the full knowledge that there is an element of risk to what they are doing, but importantly, this does not hold them back.

Self Confidence

Have you ever dealt with someone who clearly lacks confidence in what he's doing? This lack of confidence quickly rubs off onto you and, although you may buy a product from him, the chance of you going back a second time are slim.

If you are to attract and retain customers you must be brimming with self confidence – confidence both in your skills and your product. This attribute links in with decision making – having made a decision you then need the self confidence to stick by it and not question yourself, thereby encouraging self doubt.

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Have you got the self confidence to make your customers feel confident in you?

Discipline

As we saw earlier one of the prime motivators for self employment is the flexibility it brings. However, unlike employment, in business you are not guaranteed a pay slip at the end of the month. You need: the discipline to get out of bed on Monday morning even if it is cold and wet outside; the discipline not to say on a regular basis, "I'll do that tomorrow"; the discipline to carry out tasks which may not be pleasant; the discipline to say "no" to that pushy salesman!

Discipline is about having the focus to follow through on your goals. Are you disciplined enough to run a business?

A Good Motivator

If your business is going to need staff then you have to be a good motivator. Getting the best out of your staff means being able to keep them going when things are down; to keep their spirits up; to help them see the potential in doing something a certain way.

But being a good motivator is also about motivating yourself. Can you find the good in most things to keep you motivated and focused? Can you continue to move yourself forward even when things look bleak?

Dogged Determination

Perhaps the most useful attribute you will need is determination. Can you focus on the task in hand, put your head down and plough through all the obstacles put in your way?

Even if you do get pulled back or side-stepped from your goals you need the determination to get back on track. It's about having that competitive edge; wanting to win and do whatever is necessary to ensure you get past the winning post. Linked with being a self motivator, having the determination to win can often be the difference between failure and success.

Ability to Learn from Mistakes and Failures

Any success worth having has to be fought for and the road is often rocky and littered with pitfalls. Success always comes at a price and before achieved mistakes and failures are always encountered. Successful entrepreneurs need the ability to drive through the mistakes and failures and more importantly learn from them. After a particularly challenging experience are you able to sit back and analyse what went wrong, where you could have done something differently and what you will do in the future to ensure a different outcome.

As an entrepreneur you cannot sit back and lick your wounds; you have to start afresh, learn from the experience and move on. Mistakes and failures will happen; it's not they happen that's important, it's how you react and deal with them that's important.

Review this list carefully. Which attributes do you have? In those areas where you are weak are there any actions you can take to improve?

Skills for Success

From the personality and attributes pages, you will know by now whether you have the qualities to be a successful entrepreneur. But what about your knowledge or skills? What are you expected to know in order to run a business?

It is worth spending time reviewing your skills because unlike the majority of attributes, skills can be learnt or acquired. Go through each of these skills and decide whether you have them or not. You will then know what advice to seek in order to bring your skill set up to the required level.

Communication

Good communication skills are required in all aspects of a business – communication with your customers, with your suppliers, with your staff. You need the skill to be able to clearly put your message across so people understand exactly what you want of them. Success in business won't be achieved if you can't get people onto your wavelength.

Good communication skills come in the form of logically presenting your ideas, both verbally and in written form. If you think you need to improve in this area then look out for courses and books on presentation skills and how to write clear letters and memos.

Good communication skills also extend to understanding body language. The ability to read other people's body language can help give you that unfair advantage which is what all business owners seek! Was that gesture he just made a sign that he is ready to buy or was he signalling that he is about to walk

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away? Different situations mean different ways of handling them – learn to spot the difference.

Being a master in communication skills is a key aspect of making full use of networking opportunities which will come your way. Networking is promoting your business on a one-to-one basis whether at informal gatherings or formal networking seminars or events. The ability to confidently communicate what you are your business is about can be the difference between gaining a introduction or even a sale.

Sales and Marketing

If you can't effectively sell your product then you'll never achieve success! Customers rarely buy totally on impulse – they need encouragement and an awareness that your product is ready to be bought. Distinguishing your product from your competitor's is also important. Marketing skills involve:

- Being able to segment your market
- Identifying your target market
- Writing a Marketing Plan and implementing it
- Understanding different types of marketing

Having raised awareness of your product you then need to be able to convert interest into a sale! This is where sales skills come in. Sales skills involve:

- Identifying a sales opportunity
- Being able to negotiate a better deal
- Handling objections
- Closing the deal

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Some business owners are natural sales people and have an in-built flair for marketing but if you are not one of them, don't despair, you can easily increase your knowledge ... there is a wealth of material out there.

Organising Your Life

Running a small business is one job after another. You have to be organised so that your business runs efficiently.

- Can you be disciplined and organised enough to finish a job on time?
- Can you keep your office clean, clutter free and so making it easy to find things quickly? Are invoices, pending orders and customer queries correctly filed?
- Are you able to prioritise your jobs, concentrating on the jobs which will give you the greatest payback?

Being organised can make running your business easier and more profitable.

Keeping an Eye on the Cash

Messing up your finances is probably the quickest way to put an end to your entrepreneurial activities. As a wage-slave (a.k.a and employee!), managing your finances is simply a case of ensuring you don't spend more than is in your bank account.

Running a small business involves more than that. The financial skills you'll need include:

- getting your invoices out on time and paying the ones sent to you on time

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- controlling your credit and being tough with the late payers
- knowing when it's safe to write that large cheque
- recognising the importance of planning ahead and committing to completing a yearly budget and cash flow
- keeping monthly profit and loss accounts so you immediately know whether you are in profit or loss

There are a number of books and PC based applications which can help to keep you on track.

Finding and Coping With Staff

If you have quickly outgrown your one-man-band status you will have to employ staff. Your skills will have to include being able to identify the type of person most suitable for your business. Are you looking for an outgoing personality or a quiet, organised administrator?

After having identified potential candidates another skill you'll need is how to be an effective interviewer. You don't want end up with the wrong person on your team just because you failed to test him properly during the interview.

When you have hired someone the next skill you'll need is managing them. You have to make sure they understand their role, that they know what's required of them. You have to be able to motivate and encourage them during the low periods in the business. This includes putting in place an effective appraisal system so you identify your good performers and help the poorer ones.

Review your current skill set. Don't let your business down by coming in with outdated skills.

Got An Idea?

In the previous sections on the skills and attributes needed to be a successful small business owner looked at whether you could make a go of being your own boss. You may now have decided to give it a shot! However, you may have the skills and the necessary motivation to be an entrepreneur but not the idea!

Here are some tips on how you can hit upon an idea which can be the basis for your business.

Turn Your Job into Your Business

One of the advantages of being an employee is the skills and insider knowledge about your industry which you have picked up over the years. Your job may be such that you could quit and use your knowledge to set up on your own. You will have to be careful and ensure you don't blatantly steal clients or proprietary information but generally this is a good way of coming up with a business idea.

Turn Your Hobby into Your Business

Do you have a hobby which could easily be turned into a business? If you have such an interest take some time and brainstorm on how you could turn it into a viable business. Could you produce a product to help people practice their hobby? Could you provide an advice service to help people take up the hobby? Could you become a retailer for items connected with your hobby?

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Turning your hobby into your business is an easier route than starting from scratch – you already have the desire and knowledge.

Look For a Gap and Fill It

Set yourself the goal that for 2 weeks you will constantly be on the look out for possible business opportunities in every type of sector or industry, even if you have no knowledge of that sector. Everywhere you go keep your mind and eyes open to all the possibilities. Did you suddenly have a need or desire which could not be fulfilled? Did you overhear people talking about a problem which with some thought you could solve? Did you spot a business which is closing down but you know you could make it work?

If you don't set your mind the task of hunting out these opportunities they will be harder to find. Get in the right frame of mind and the answer will come.

Research the Possibilities

As well as opportunity spotting while walking around, read newspapers, trade journals, and magazines and constantly ask yourself, "Can I turn this into a business?"

If you have a rough idea of the sector you want to be in, attend trade shows and exhibitions and see if you can get inspiration to further develop your idea. Also think about approaching people who are already in that line of business. As long as you don't pose a competitive threat to them they will probably be willing to share their ideas and experiences with you.

Copy Success

Very few businesses are original, most are variations on a theme. Study successful businesses and ask yourself, “How can I use that idea?” Without copying the total concept or breaching copyright think how you can turn the existing business into one of your own. Look at the explosion in coffee shops. They all offer the same product and yet are distinctively different. Taking a product or service consider what you could subtly change – the quality, the layout, the service levels; anything that would add your own distinct style.

This hunting out of possibly businesses should not just be confined to your locality or country. When visiting other countries on business or vacation look out for new business concepts which have yet to hit your shores. Could you take that idea and with a slight twist establish a similar business in your country? This is a powerful idea – there’s nothing like being the first to do something in your home country!

Are You a Budding Inventor?

Creative people often come up with ideas for products or new ways of producing things. Do you have an idea for a product or a different way of producing something which is unique? Does it solve a real need? Could you translate that into a viable business?

One point of caution here though. Inventors are not known for their business acumen! Inventions invariably come out of a passion for something and sometimes market reality can be blinded by passion. Check carefully that what you consider to be a ‘winner’ is likely to have customers in volumes sufficient to make a decent living for you.

Buy a Business or Franchise

If you are stuck for coming up with an idea of your own but you still wish to run your business then you have two options left: buy an established business or a franchise.

The upside of doing this of course is that you have a ready made model to work off or a business that is already making sales and producing a profit. It's undoubtedly easier than starting from scratch but the downside is that you have to pay for someone else's hard work. Any price you pay (unless the business is on the point of collapse and you are looking at a turnaround situation) will reflect a premium over the asset value of the business. You are therefore likely to need more cash behind you. If you can, start a business yourself and build up your own value or premium!

There are a number of ways for you to come up with a possible idea. Be like the Queen in Alice in Wonderland who said, "Sometimes I think of 6 impossible things before breakfast." Wow! One of those ideas must be a possible business opportunity! However, if you hit upon a potentially viable idea make sure it's an area you could be passionate about. Passion and desire for your idea will help you make it a reality. A half-hearted interest will get you nowhere.

How Deep Is Your Pocket: The Keys to Establishing Your Start Up Costs

Having established your potential capability as an entrepreneur and having your idea in place, the next stage is start the process of putting everything in place. One of the challenges of planning and getting a new business off the ground is to establish what your start up costs are going to be. At best, it's going to be a stab in the dark or a wild guess, but there are some specific steps you can take to make your costings more realistic.

Why Estimate Your Costs?

But, before we look at where you can get help, we should consider why you need to get your estimated start up costs as near to reality as possible. Firstly, if you are seeking bank finance the dreaded Business Plan is required! The Bank Manager is not going to be impressed by a comment such as, "I think my start up costs are going to be around \$10,000 but hey, who knows!"

Secondly, you need to go into any new venture with your eyes open. You have to be as sure as you can as to how much it's going to cost to get your business started. There is nothing worse than getting 90% of the way there, only to fall at the last hurdle because you didn't cater for one major expense.

Lastly, as a start up you are likely to have a limited pot of money available. You have to prioritise which costs are essential and which can be delayed until the business is more established. You can only do this if you have researched and understand what your costs are going to be.

Where Can You Go For Help?

It's easy to think that you have a good idea of what your start up costs are likely to be, but do you really? Once you think about it, a whole can of worms starts to open! But there are sources of help you can turn to, which will ensure that you don't face oblivion within the first few weeks.

Your Local Government Support Office

A good starting point is your local Government business support or advice centre. Most countries will have these free advice offices to provide ideas and support to budding entrepreneurs. Check out the Internet to find out where your local office is.

Call and book an appointment to see an advisor. They will have a wide range of material and experience which will give you a good grounding in the costs you will have to cover. The service is usually free, so that's one cost you won't have to worry about!

Chamber of Commerce or Local Business Club/Group

If you have a local arm of the Chamber of Commerce or any formal or informal business group you'll find they are a good source of knowledge and information. Within the group you will find a wealth of experience and people who have been through it all – good times and bad times! You may be lucky enough to attend a meeting when a speaker is there on just the topic you are looking for.

Colleagues and Other Business Owners

If you don't have a club or group you can attend, then seek out business people yourself. Ask all your contacts to tell you about their start up experiences. What costs they budgeted for; what costs they didn't budget for; where they overspent. Genuine business people are usually happy to share their experiences and give you advice. Listen to what they have to say and take note.

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If you don't have a circle of business contacts, put the word out to all your personal friends. A few of them will have friends or relatives who are in business on their own. Ask for an introduction or referral. This will 'warm' them up before you ask your searching questions.

Bank Business Guides

Many Banks provide comprehensive brochures on starting up in business. They usually contain a Business Plan template which will include a section on start up costs. Some go further and produce guides for specific industries and sectors. They provide in depth analysis about that sector, the market, the competition and estimated start up costs. Call in to the local Bank and ask to see the Small Business Manager/Advisor.

Suppliers

If you are looking to cost your raw materials or partly finished stock for buy in then, as a key part of your financing, call your potential suppliers and ask for quotations. Tell them that you are starting up and they should be more than helpful, after all you could be a potential customer!

Examples of Start Up Costs

If you haven't got the time to try any of the above (and there's no reason why you shouldn't find *some* time!) here are some of the key costs you will have to cover:

- Equipment
- Fixtures and fittings
- Installation
- Initial stock
- Advertising

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- Decoration
- Legal and other professional fees
- Licenses
- Specialised computer software
- Up front rental payment
- Initial cash float
- Cash to cover trading for the first month or two until the payments start rolling in

The list is by no means exhaustive but it will provide you with the first step to finding out how much it will cost you to start up.

Who Said It Was Going To Be Easy?

Getting a new business off the ground is difficult enough, even if you fully understand what it's going to cost you. Doing it with no idea is not a recipe for success. Devote some time to this exercise and you will be amply rewarded.

Is There Anyone Out There?

Once you have hit upon your idea you are likely to be full of enthusiasm and raring to go. You can see the potential and you can't wait to get started. But ... is there anyone out there who is as keen on your product as you are? Many new business owners fail to ask this question at an early stage and it's only when the doors open do they realise they may have been hasty!

Having spent time searching out and refining your idea you have to spend equal time confirming there is a market for your product. It may seem like a daunting task but there are 3 logical steps you can take.

Identify Your Geographical Market

Are you going to sell locally or wider a-field? Can you see yourself selling to a number of regions within your country or the whole country? Who knows, your product could be suitable for world-wide distribution! It's important you identify your catchment area because everything else flows from this.

Identify Your Market Place

Having identified your overall market the next step is to find out more specific information.

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Industry

You want to find out how many potential customers there are, what the trends are within the industry, what the future looks like. Where can you find all this information? Obtain and search through other company's brochures, industry magazines, trade journals, industry association web sites, ask your local Government support office if they have any information.

Local Market

If you intend to service your local area you need to make sure your target customers lives there! Drive or walk around, look hard at the people on the street. Do they match the profile you have in mind for your target customer? Look at the other shops and businesses in the area. Do they compliment your business?

Suppose you wish to set up a second hand shop and you want to establish the business near your home to be close to your family. Where you live maybe a middle to upper class area, so you have to be honest and question whether such a business would do well in this area. However, if you want to open in a low income area, then you are probably onto a winner!

It's all about making sure that your ideal customer exists in your area. Naturally, if you are purely an e-business then geographical considerations don't come into it.

Identify Your Potential Customers

Having identified your market place the next step is to identify your potential customers. Are there going to be enough of them to make your business a success?

Your first step is to visualise who your typical customer would be. What is their average age? What income bracket are they in? What sex are they? Are they

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careful buyers or impulse buyers? How often do they buy products such as yours?

This is an important exercise to do because having built up a customer profile you can then carry out more targeted research to satisfy yourself that the market exists and justifies you starting up. A customer profile will also help you later on when you start marketing your product so making your campaigns more focused.

Your Questionnaire

Before you launch into questioning everyone you meet about whether they would buy your product, you need to set some time aside to carefully think about what information you would like to collect. You have to design a structured questionnaire for either you or the interviewee to complete.

Here are some thoughts on putting a focused questionnaire together.

Name and Address

Include a space to collect names and addresses. As well as being a potential marketing list, the information may be useful if you wish to clarify anything. However, think carefully about whether you wish to collect the names. Today, because of the volume of junk mail we get, people are reluctant to give out their addresses. By asking them you may be putting them in a negative frame of mind even before you start with your questions! So you may not get the answers you are looking for or it may even prompt a refusal to take part.

Generic Information

Collect some generic information about the interviewee. Prepare a range of ages bands, for example 25 to 35 so you can categorise the person. Are they male or female? Are they employed, self-employed or unemployed? What income bracket are they in - \$20,000 to \$35,000? What is their marital status?

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Think of any other information which would be useful to help you analyse the responses.

Prepare Your Questions

What are their buying habits? When and how often do they buy a product similar to yours? What do they look for in that product? What turns them off? What's the minimum and maximum price they are prepared to pay? Where do they buy it – local shops, supermarkets or on-line? Which is their preferred method if they had a choice? Is good service important to them or do they prefer a cheap and cheerful approach?

Survey Options

Armed with your questionnaire you can now hunt down your target customers and get interrogating! What options are available to you when you're ready to start your survey?

Face-to-Face

Your first option is to go knocking on doors and ask people if they can spare you 5 minutes. Alternatively, you can stand on the street and grab people as they hurriedly walk passed you with their head down! Face-to-face is certainly the cheapest method but it can take time and be prepared for rejection after rejection.

If your product is being sold to businesses then you will have to call at each of their premises. You will probably have to make an appointment to speak to the right person which means you will have to make another journey back there – all for one questionnaire! This is also a time consuming method especially as you have to conduct a number of interviews to make the exercise worthwhile.

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Telephone

With this method at least you're not standing on a windy street corner or walking the streets! The downside is that this route is more expensive. Your rejection rate to participate will probably also be higher because it's easier to say no when you can't see the other person's face. How many times have you done this to the fitted kitchen company who rang while you were having dinner?

Depending on your budget and the number of people you want to interview, you could employ a specialist firm to do this exercise for you. However, if you have the patience, the time, the budget and a positive outlook then it's worth considering.

Discussion Groups

If your target customer is easily identifiable then you could ask people to join a discussion group. Chaired by you, your questionnaire is used to prompt discussion from where you can gather the information you need. Unlike in the first 2 options you are asking someone to give up at least 1 to 2 hours of their time so you may have to provide an incentive for them to turn up – a light lunch or sandwiches for example.

Administratively this method is harder – you have to find participants, get commitment and organise a venue etc. However, you are likely to get a very good understanding of your potential customer's needs and requirements because of the in-depth discussion which groups such as these prompt.

Post

Less expensive in time and telephone costs, this tends to be the popular approach. Also the success or reply rate can be higher because people can complete the questionnaire in their own time and not feel uncomfortable with the interviewer's presence.

To prevent your questionnaire being put in the bin your cover letter has to be clear and to the point. However, the response rate can be low so you should

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consider an incentive to encourage participation – entry into a grand draw, a discount voucher for redemption once you are open for example.

By now you should have all the information necessary to decide whether there are potential customers out there who may be prepared to buy your product.

You are now ready to move onto the next stage of your plan which is to work out the price at what you are going to charge for your product or service. It's great to identify potential customers but what you are going to charge may determine whether they become *real* customers!

Your Pricing Policy

Many small businesses assume that 'lowest price wins' but in reality, whilst entering the market with the lowest price may give you an initial boost, in the long run it is not sustainable; the well established players will quickly match or even beat your price, thereby making it difficult for you to compete purely on price alone. For a small business, service is the key selling point; never, ever compete on a price alone – you will never win against the bigger, well established firms.

With this in mind, let's have a quick look at the steps you can take to ensure you have a well planned and thought out pricing policy.

Step One – Work Out Your Costs

With pricing being so crucial to your success you cannot base your pricing solely on what the competition is charging. To ensure your business survives you have to set a price which in the medium to long term covers your cost of production and operating overheads and also leaving sufficient for a decent profit. You can of course set your price at below cost in order to 'buy' your initial market share but this cannot continue indefinitely.

Pricing your products purely on what the competition is charging is financial suicide. Your cost base is very different from that of your competitors and this is where the process in working out your price starts – establishing your cost of doing business.

If you are not sure where to start here is a worksheet that you can use to calculate your pricing.

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Pricing/Cost Worksheet

Cost per Item	
Materials cost	
Labor costs	
Miscellaneous	
<i>Total</i>	
Production Overhead	
Utilities	
Depreciation	
Vehicles	
Miscellaneous	
<i>Total</i>	
Business Overheads	
Advertising & Promotion	
Professional Services	
Miscellaneous	
<i>Total</i>	
Delivery	

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Cost per Item	
Packaging	
Insurance	
Postage & Shipping	
Misc.	
<i>Total</i>	
<i>Grand Total</i>	

The estimated cost per item is the sum of all the totals.

It can be a difficult exercise to apportion costs on a per unit basis but at least it forces you to consider the key costs in getting your product out into the market place.

Step Two – Decide Your Pricing Strategy

Having established your base costs the next step is to decide your overall pricing strategy. There are a number of strategies you can employ:

- *Penetration Pricing* – you price your product at the lowest rate in order to gain a foothold in the market. As already highlighted, for small businesses it may be difficult to make this work. If you do decide to go down this route

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it has to be backed up with a sound marketing plan to quickly get the message out before your competition catches up with you

- *Premium Pricing* – You may be so confident in the worth and demand for your product that you may wish to charge a top-end or premium price. This can work for small businesses because by its very nature premium pricing works when personalised service can be assured; people will pay more when they know that the business pays particular attention to their needs. Small business owners can easily offer this one-to-one service
- *Economy Pricing* – If you can offer a low-cost product or service for the mass market then you can price on an economy basis. This is an ideal strategy for ‘no frills’ providers e.g. the budget airlines. Customers are aware that the price reflects the level of service and so expectations are lower. This strategy, when used with a clear marketing message about the ‘no frills’ experience, can work very well
- *Price Skimming* – If you genuinely have a technically innovative product then price skimming is a possibility. This is where you set the price high to reflect its uniqueness but understanding that once it becomes a mass market product and production costs reduce your price comes down. Think of all the new ‘techie’ products produce over the years; they all start with a high price tag but steadily fall over time

Step Three – Research the Market

With your pricing strategy established your next step is to find out what the general market and competition is up to. You cannot ignore how your competitors are pricing their products, especially if their strategy is the same as your chosen one. When doing your research here’s what to do:

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- Check out the market price highs and lows. Get a feel for the complete range of prices to establish the highest and the lowest
- Check out your competitor's pricing. Don't just look at the headline price, see what else is added in e.g. free upgrades, free delivery, a discount when two or more are purchased. Consumers will look for these value-added services so you need to take these into consideration when setting your final price

Step Four – Set Your Price

Armed with all your research you can now set your actual price and decide what value-added services if any you are going to offer – see the next point.

Step Five – Creatively Display Your Price and Offering

Now you have set out your overall strategy psychology comes into play . We can see evidence of creative pricing around us every day. Here are some of the ways you can creatively draw attention to your products:

- Price your product just below the next round amount - \$9.99 instead of \$10. This strategy is well used ... because it works!
- Add in option extras. Car companies do this when they offer leather seats, better interior finish etc. Also know as up-selling, think what you can offer as an up-sell
- Buy One Get One Free – a great marketing gimmick to kick start a new product range; this encourages people to try it out

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- Bundle products together – if you have separate products which compliment each other consider bundling them at a price which is cheaper than if bought separately

For a new business, pricing is an important aspect of your Business Plan. It is worth spending a lot of time researching the market and the competition and demonstrating in your Plan how you have arriving at your price. A 'finger-in-the-air' or 'stab-in-the-dark' approaches are not acceptable!

Your Legal Status

Having decided that you can make a go of your business idea the next step is to decide what structure you will trade under. There are advantages and disadvantages to each format so you need to make a careful study of each.

One point to note. Given the global nature of the Internet you made be based in the States, the UK, Europe, Asia, Africa etc etc! It's impossible to cover all angles, so please supplement my comments with your own country-specific research looking at the legal and taxation implications of each. My comments are broadly applicable for UK-based businesses, hence the terminology may be different from yours.

Sole Trader

This tends to be the most popular and easiest way for a small business owner to start-up.

Features

- only one person runs and is legally responsible for the business
- no formal registration process except to advise the taxation authorities
- you trade in your own name for example, John Smith or with a trading name such as John Smith trading as My Business

Advantages

- book keeping is simple. You are only required to maintain a Profit and Loss and Balance Sheet
- quick and simple to get up and running

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- you keep all the profit after tax

Disadvantages

- you are personally liable for all the debts incurred
- your personal assets are at risk and can be seized by creditors to settle debts

Partnership

This is the next most popular way of running a small business.

Features

- a minimum of 2 partners
- a maximum of 20 partners
- the partnership can operate as 'Smith and Jones' or under a trading name such as 'Smith and Jones trading as Our Business'. Where trading names are used, partner's names have to be shown on all correspondence
- no formal registration process but partners have to advise the taxation authorities that they are self-employed. It is wise though to have a written partnership agreement which sets out the terms of the partnership, for example, split of profits, leave entitlement, notice period to dissolve, amount of capital put in by each partner. This can avoid painful disputes if things go wrong later on
- the partnership has to keep more detailed financial records which include sales and purchase records, cash book, creditor and debtor details, Profit and Loss and Balance Sheet

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Advantages

- relatively quick and easy to start, even if you decide to complete a Partnership Agreement
- if you are organised book-keeping can be simple
- you share responsibility for business debts incurred with the other partners

Disadvantages

- you are personally liable for up to 100% of the partnership debts
- your personal assets are at risk and can be seized by creditors to settle debts
- if your partner(s) cannot meet their liability you can be sued for the whole amount the partnership owes even if you only had 50% of the business. For example, just because there are 2 of you your liability is not limited to 50%. If your partner has no assets, creditors can pursue you for 100% of the debt
- being a partner you will have to split the profits in line with the proportion set out in the Partnership Agreement or as verbally agreed

Limited Liability Partnership

A relatively new form of business structure.

Features

- introduced in 2001 and designed to operate like a partnership but with the benefits of a Limited Company
- set up via registration at Companies House and is seen as a corporate body

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Advantages

- individual partner's liability is limited to a figure agreed by each partner
- personal assets are protected
- taxed the same as a partnership i.e. each partner assessed individually

Disadvantages

- a fair amount of paperwork involved to set up

Limited Company

Usually established by businesses with a track record who want the benefits associated with being limited and start ups with a large capital base and grand plans!

Features

- a separate legal entity in its own right and can sue and be sued
- owned by the shareholders
- set up via formal registration
- annual accounts have to be submitted

Advantages

- shareholder's liability is limited to the extent of the money put in
- the company doesn't 'die' along with the shareholders or Directors
- there is a perception that Limited Companies are more trustworthy than sole traders or partnerships

Disadvantages

- lots of forms to complete to set the company up

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- higher costs to set up and run
- missed annual returns can lead to fines

Plenty for you to think about with pros and cons to each possibility. If you are unsure which route to take you should seek out suitable professional advice.

Having decided your trading format your next step is to open a Bank account.

Choosing a Bank and Opening an Account

You may think that opening a Bank account doesn't rank high on your priority list. However, once you have committed yourself to starting up a business very quickly you will start to incur expenses and a business account cheque book would come in handy! Getting all your business related expenses channelled through a business account will ensure all your expenses are in one place, something your Accountant will be happy about at your year-end. It also ensures you have no arguments with the tax authorities as to what was personal and what was business related expenditure.

How to Choose a Bank

With competition increasing in the banking sector you can get some good deals if you are prepared to shop around. So what criteria should you use when looking for a Bank and a safe home for all your cash?

Your Existing Bank

If the Bank where you have your personal account offers business banking facilities then this may be a good place to start. You already know their level of service (good or bad!), the layout of the branch and perhaps some of the staff if you are lucky! This can make the whole process much easier.

Location

If you have no preference for a particular Bank, location of your Branch may be more of a priority, especially if you will be paying in a lot of cash where a bank just around the corner would be useful.

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Go Hunting

If you have no Bank in mind, visit as many as you can so you can make an informed choice. Ask to speak to the Small Business Manager or Advisor (each Bank has their own job title). Tell them you are interested in opening a Business account and that you are looking for information. The good ones will spend time with you, offer you brochures, talk you through the process and the leaflets and tell you about their range of services. How you are treated at this early stage will give you a good idea of how you are likely to be treated later on. Ask questions such as,

- Do they offer on-line banking or telephone banking?
- Will you have a named point of contact?
- At what point will you be able to apply for loans or short term support and what are the standard terms?
- Do they provide help and support?
- What are the charges to operate the account?
- If you decide to open an account, what information will they need from you to open the account?
- Do they offer an opening incentive such as 12 to 18 months free banking?

After the interviews, assuming the person you have been speaking to is going to be your point of contact, ask yourself whether you could get along with him or her. A good relationship with your Banker is important.

Having visited all the local Banks review the leaflets you have collected and any notes you have taken and list the good and bad points and any general impressions you had. Which Bank stands out and is there one that you felt most comfortable with? Make an informed decision based on all the information you have gathered.

Opening an Account

Having made your decision, go back or call up to arrange an appointment. To open your account you are likely to need the following:

- a completed application form (usually filled in during the meeting)
- identification such as a Passport or Driving Licence
- 2 utility bills to confirm your address
- if you are a partnership each of the partners will have to supply the above information
- if you are trading via a Limited Company you will need the Memorandum and Articles of Association
- a Bank Mandate showing a specimen signature and confirming who is to sign for partnerships and Limited Companies – supplied by the Bank
- possibly a copy of your stationery or letterhead if you have got that far

Basic Services You Will Need

As a minimum you will need a current account with a cheque book and paying in book. But you may also need:

- Business savings account for all that surplus cash!
- A cash card to access to cash 24 hours a day in case you come across that hard-to-resist deal after banking hours
- On-Line or Telephone Banking

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- A Business credit card
- Merchant facilities if you wish to accept Credit Cards

It is important for you to pick a Bank you feel comfortable with. They need to be there for you when you need them.

You will find more information on how to deal with banks in my e-book 'The Secrets of Getting Your Bank Manager to Say Yes!'. More details here:

http://www.smallbusinesssuccess.biz/e-book/secrets_getting_bank_say_yes.htm

How to Finance Your Small Business Start Up

Finding the finance to get a small business off the ground is a major issue for any potential small business. Some new businesses lend themselves to very little start up capital because the main selling point is the owner's skills and knowledge, for example consultants, web designers, PR specialists. Businesses which require stock holding, plant and equipment and other investment, face the real challenge of getting their start up finance together.

So what sources can you tap into to ensure your business gets off to a solid start?

Your Savings

The first port of call! If you have been in employment for some time then before going it alone you should have planned ahead to build up some spare cash. Whether your 'business development' fund is in the form of cash in a savings account or shares and unit trusts, it is a good start to your fund raising exercise.

You can be more focused in saving cash if you have had the goal of setting up your own business for awhile. Knowing you need to save to get your business off the ground will make sure you don't spend your future nest egg on unnecessary items. Whilst a new Plasma TV or the latest DVD Recorder may seem to be an essential purchase, knowing you have a business to set up in the future will be sufficient a deterrent to keep the cheque book firmly locked away!

Keep Your Job

Some business owners are lucky enough that during the early days of the business they can keep the day job while working on the business during the evenings and weekends. This has two benefits. Firstly, they are still earning thereby allowing more time to build up a cash reserve. Secondly, it's an opportunity to test out the business to make sure there is a market.

Make sure you can realistically keep both balls in the air at the same time otherwise you will end up doing justice to neither your job or your new business. The support of your family is also essential if you are to follow this strategy. They have to accept that what used to be 'family time' may have to take a back seat until you decide to concentrate on the business full time.

If your business takes off there comes a time when it's likely that you will no longer be able to keep both responsibilities on the go. Be prepared for that day and the difficult decision you will have to make ... which do you give up?

Family and Friends

These can be a useful source of finance for any start up. If you have harboured ambitions to run your business for some time, then many of your family and friends are already likely to know about your idea. You should therefore have an indication of who is for it and who is against it.

If you haven't shared your secret desire then it's time to be slightly devious! If you are in the early planning stages start drip feeding your ideas to key people whom you think are likely to support you. Tell them your ideas, share your ambitions and goals and on a regular basis update them with your progress. The plan is to get them sold on you and your future business at an early stage.

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Once you get to the point where you are ready to start asking for contributions hold an Investor Evening. Prepare a presentation outlining your plans, the business, the market etc. Show the potential investors what their return will be in recognition for supporting you.

Invite as many people as you can and promise an interesting and fun evening, Be bold at the very start; tell them exactly why they are there, so there are no misunderstandings. After you have done your presentation gather all the names of the people who may want more information or even a one-to-one with you.

Whilst this group are people who know you and so are more likely to trust you, don't forget that you are developing a very different relationship which can quickly turn sour. Be prepared for rocky times!

Bank Overdraft or Loan

Now you're getting into the serious stuff! Getting support from a Bank for a new business is tough, as many entrepreneurs will testify. One sneaky way is to apply for an unsecured personal loan while you are still in employment. If you have planned things right you will know when you are starting up, so a few months before you pack your job in, apply for a loan based on your salary. However, make sure you can comfortably meet the repayments. There is no grace period; you will be expected to pay back immediately, so your business will have to start earning very quickly.

The alternative is a business overdraft or short term loan facility. There is no fixed repayment date, although they will be for periods from 6 to 12 months, and all you have to do is ensure that you keep within the limit. You will have to write a business plan to present to the Bank which outlines your idea and the business. If you have never written a business plan check out this link http://www.smallbusinesssuccess.biz/writing_business_plan.htm and obtain a copy of 'The Secrets of Writing a Killer Business Plan'.

Mortgage or Equity Release

With the way house prices have been increasing over the last few years in many countries, the vast majority of people now have substantial equity in their homes. The cheaper alternative to a Bank overdraft or loan is a mortgage. The interest rate is lower and, as the repayments are spread over a longer period, the monthly repayment is less (although you will end up paying more interest in the long run).

The disadvantage of raising cash this way is that your home is potentially at risk. If meeting the monthly repayments is dependent on what the business can generate then a slow start could cause cash problems. So be very sure you can meet the repayments even during a lean period.

Credit Cards

If you haven't got any savings, can't get support from family or friends, or a Bank loan or mortgage, then there are your credit cards! Whilst it's easy to draw down on your card, be wary, credit cards are the most expensive form of debt.

They are ideal because all you may have to do is pay the minimum amount but card debt, as most people have found out, can be a long term burden. But, if you need a cash lump sum to kick start the business and you know you can pay it off within a few months, then it's an alternative source of finance worth considering, if somewhat unorthodox!

Business Grants

Business grants are available for specific industries, sectors and reasons. Grant providers will usually only give a portion of your requirement, so they cannot be used to totally finance a start up. However, they can be useful in filling a funding gap. For more information on obtaining grants do an Internet search for your country or check out your local government business support office.

Business Angels

Business angels are a popular way to fund a business, especially for those businesses which require a large amount of start up capital. Business angels are people, usually retired or successful business people in their own right, who are looking for opportunities to invest in new businesses.

In exchange for an investment they will typically look for a shareholding in the business and some hands-on involvement. They will have a vast business experience and so are useful people to have on board. However, you will have to accept an element of loss of control but that needs to be balanced against your desire for funding.

To find out if you have any business angels in your country do an Internet search or check out your local government business support office.

Getting finance for your new business can be a challenge but there are a number of avenues to explore and so with dedication and focus you could soon be on your way to launching your own small business.

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For more information on securing finance for your start up take a look at 'The Secrets of Getting Your Bank Manager to Say Yes!' available at:

http://www.smallbusinesssuccess.biz/e-book/secrets_getting_bank_say_yes.htm

How to Write a ‘Killer’ Business Plan

Writing a Business Plan can be a daunting task yet it is an essential step in setting up a successful small business. You have so many ideas floating around in your head that it can be difficult to capture them all in a logical format. However, committing time to writing an effective Plan can help improve your chances of success.

In this section I will give you some tips on how to write an effective business plan.

Tip 1 – Understand the Need for a Plan

Without a clear strategy and long term objectives you may be reducing your chances of success and so it's important to commit time to plan ahead. Having put in time, energy and resources to come up with the ideas, why spoil it all by not having a structured plan for the future? The benefits of business planning cannot be underestimated. You must view planning as a crucial investment of your time, which could mean the difference between success and failure.

Tip 2 – Don't Go It Alone, Ask For Help

Picture this. You've never written a Business Plan before; you sit down at your table and end up staring at a blank piece of paper for 3 hours! Then, another 3 hours later, all you have is a bin full of scrap paper. However, in order to help you put a plan together there are a variety of sources of help you can tap into:

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- Professional advisers
- Business colleagues
- Advice agencies
- Your staff
- Books

Tip 3 – Follow a Framework

Having a framework or outline to follow can make the task of writing a Business Plan so much easier. The 3 parts to your Plan are:

- Where you are now
- Where you intend to be
- How you are going to get there

This is your framework which will guide both you and the reader through your business and your idea.

Tip 4 – Tell the Reader Where You Are Now

In your first section you want to paint a picture of where your business is now. These are the main areas to cover:

- Business history
- Location and premises
- Your product or service
- Your market

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- Your customers
- Your competition
- Your staff
- Equipment

Provide an insight into each part of your business so that the reader of your Plan knows how the business looks now. Obviously if you are just starting up, give an idea of how you see these parts of your business once you get going.

Tip 5 – Tell the Reader Where You Intend To Be

Having given an overview of your business, the next step is to tell them where you want to be. The main points to cover are:

- Your objectives and goals
- State what you want from the reader – a loan or overdraft for example
- Explain why you need and what it will be used for

Tip 6 – Tell the Reader How You Are Going To Get There

It's all very well promoting your idea and business but the important point to put over is how you are going to get there. Here are the key points to cover:

- Marketing plan
- Additional resources needed to meet your objectives and goals
- Your contribution in terms of cash or equipment
- Security you can offer to support a request for finance

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- Profit and loss and cash flow forecast to show that you plan to make money and that you can pay back the loan

Tip 7 – Provide Some Supporting Information

Your Plan will have contained a lot of information, so it is helpful to include supporting documentation to provide more background. Placing these additional items as an appendix ensures that the flow of the Plan has not been affected by additional information.

What sort of items could you include?

- Letter of support from your Accountant
- Confirmation of pending orders from customers
- If you are purchasing a property, you could include the sales particulars
- Independent industry surveys showing that your sector is doing well
- If you are buying machinery, include quotations
- If your business' main asset is you, include your CV!

Tip 8 – Ask Someone to Review It

When you are totally immersed in a task you can easily miss obvious mistakes. Ask someone to review your Plan to ensure there are no spelling or grammatical errors – don't rely on Spell Check! Does it all make sense? Have you been logical in your arguments?

Tip 9 – Get the Presentation Right

After having spent a lot of time and effort on the content you don't want to spoil it all with poor presentation! Here are some tips:

- Get the Plan typed; it will make it look more professional
- Make sure all the papers are clean and that there are no dirt marks or coffee stains! Buy some good quality paper
- Purchase a classy folder or binder to put your Plan in (paper clips or staples may not portray the right image!)
- don't forget to include all your contact details

Tip 10 – Deliver Your Plan to the Reader in Time

Once you are satisfied that your Plan is a good representation of your business you can post it but ideally you should deliver it; at least you know it has got there! Prior to a formal interview (if your aim is to obtain finance) you need to give the Manager time to read your plan. Ask to make an appointment with him in 3 days so he has time to read it.

Enclose a covering letter saying that you have made an appointment and your Plan is attached for him to review and to prepare any questions.

All that remains for you to do is to turn up at the agreed time and present your case!

You can get more information on how to write a business plan in 'The Secrets of Writing a Killer Business Plan' available at:

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http://www.smallbusinesssuccess.biz/writing_business_plan.htm

You can also subscribe to my free 5-day mini e-course which will give you other key pointers for writing a business plan. You can subscribe to it by sending a blank e-mail to: warlow-217114@autocontactor.com

Keeping Your Records Straight

Probably the least liked aspect of setting up and running a small business is paperwork! If you have decided to set up a business it is because you want to produce or sell something, not to spend your time pouring over bank statements and invoices. But unfortunately it has to be done.

Good records are an indication of how you operate your business; if your books are neat and well maintained then your business tends to be conducted in an orderly manner. If your records consist of a box in the corner then the image of a disorganised business comes to mind!

Here are some ideas on how you can make the whole task a little easier.

Start Simple

Part of the problem business owners have when it comes to setting up a record system is that they think it is going to be complicated. As a result, they come up with every possible excuse to delay starting until it comes to the point when it is complicated!

There are a number of methods you can use each depending on the complexity of your business:

- A basic cash book obtainable from your local stationery store in which you record money in (income) and money out (expenses). The difference between the two is your monthly profit. There, that wasn't difficult was it!

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- Next option is to get technical by using a PC spreadsheet such as Excel. Essentially this is just an electronic version of the cash book but allows you reduce the manual calculations
- Once you are really confident and business is booming you can progress up to a fully blown small business accounting programme such QuickBooks (www.quickbooks.com) or Quicken (www.quicken.com). A standard sized small business should not need to go any further than this

Be Organised

Now you have your record system in place to capture all your transactions you have to organise yourself so that the task does not become an administrative nightmare!

Here are some key organisational tips to think about.

- File your invoices (received and issued) in a binder. You can either file by date or by customer – either way is appropriate as long as you know how to put your hands on a particular invoice if required
- Review your bank statements on a regular basis (monthly at least). Banks do make errors and it is better to notify them of mistakes as quickly as possible
- Keep as few cheques or cash in your office as possible; bank as often as you can
- Start a system which notifies you when bills are due for payment so you can pay on time or chase a long outstanding payment owed to you. This can be as simple as a pocket diary with customer names written in on the due date
- Buy a pre-printed invoice book so you have a clear record of your sales

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- At the end of the year clear all your files and put them in one place where they can be easily retrieved and start all over again!

Doing the paperwork may not be the most glamorous aspect of being an entrepreneur but it is something you cannot ignore. Start as you mean to go on; get it right from the beginning otherwise you will forever be playing catch up.

Getting the Right Premises and Office Equipment

Finding the right premises to operate your business from is important. It's about image and reaching out to the right sort of client. In this section we will also look at the sort of equipment you will need when you start out.

Premises

You have a number of choices when it comes to deciding where to locate your business. In this section we will look at some of the key issues to consider.

Working from Home

If you provide a service in people's own homes, or perhaps a mail order or internet based business then working from home is a simple and cheap way of establishing a base.

Here are some things to think about if you decide to work from home:

- Make sure your family know which part of the house 'belongs' to the business. This is your job and if you have children you don't want them bursting in every 5 minutes demanding to play a game!
- Make the room business-like with a desk, chair, filing cabinet etc. This will put you in the right frame of mind for work
- If your budget allows, get a dedicated business telephone line installed. Ideally you will need 2, one for calls and one for the internet especially if

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you anticipate being a high user – you don't want to prevent clients talking to you

- If you have a garden shed you could consider converting that to an office. Obviously the security risk is higher so take the necessary precautions when you lock up at night
- Check with your local Planning Authority to ensure you are not breaking any regulations. If it's just you and a computer you should be fine but any machinery that creates a noise or fumes may be a problem
- Advise your insurance company or preferably take out a separate business-in-home policy. You don't want any arguments when you try to claim on an ordinary household policy for a business-related item. Don't give the insurance company the chance to wriggle out of it!
- Will you be receiving visitors? If so consider the space this will require. Ideally it needs to be away from your day-to-day living area; you don't want to be clearing up the mess from the night before just as your important client arrives!
- Remember that subject to your local tax regulations you may be able to claim a portion off your electricity bills as tax deductible items. For further details discuss this with your Accountant.

There are good advantages to working from home but all the implications need to be examined.

Finding Premises

If your business needs premises away from your home, then you'll have the task of finding somewhere suitable. Here are some of the points which have to be considered.

- Which area? Before embarking on your search, plan in advance and decide where you wish to base yourself. Thinking and planning ahead before you go off on your search will help keep you focused. Do you want

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to be in an industrial or retail area? Will a Business Park be more appropriate for your type of business or are you looking for a High Street location? Are good road links important? Is parking outside your premises an important factor?

- Where to search out available premises? Commercial property is not as widely advertised as residential properties are, so you will need to look a little harder. Places to check out include:
 - Estate agents or Realtors – some do take commercial properties on their books but there are also agents who specialise in business premises. Check your local Yellow Pages
 - Call your local authority. They may have suitable units
 - Your local government business support office may have a list of local business property owners you can contact
 - Look in your local paper's property section
 - Drive around the area you wish to be in and look out for 'To Let' signs. Ask neighbouring shops or units if they know of any places coming up for sale or let
 - Tell your family, friends and business colleagues that you are on the look out for premises. Use your network of contacts
 - Search the Internet for commercial and property agents

By using some of these options you will eventually find something but you may have to be patient.

To Buy or Lease?

If you have a choice then the only option for a start up business is to let or lease, not buy. The main reasons for this is flexibility include:

- You may quickly realise that despite all your research the location you chose is not right and you need to relocate

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- The business may expand or grow quicker than you thought (wouldn't that be a great problem to have?) and you need somewhere bigger
- The reason you chose the area is no longer there. For example you may have opened your shop in a certain area because it was on a busy main road but a new by-pass has reduced the stream of traffic to a trickle

Owing your premises during the early years can tie you down and use much needed capital which can be better employed elsewhere within the business. You need flexibility.

However, if you think that buying is the right choice then you will need to get your finances arranged. You will need at least 20% cash deposit and evidence in the form of a profit and loss forecast that you can repay the loan. During your budgeting exercise, factor in all the search fees, stamp duty and Solicitors fees.

If you prefer to lease or rent consider these points.

- What is the remaining term of the lease? Anything more than 30 years then the cost is almost the same as purchasing the freehold and has the inflexibility of owning your own property
- Look for short term leases with a guaranteed period of at least 3 years including the option to cancel on either side with say 3 months notice
- How often are the rent reviews? When is the next one due? Does the lease specify how the rent is reviewed, for example, does it increase by inflation or is it subject to negotiation?
- Who is responsible for decoration or repairs?
- Are there restrictions on use of the property?
- What would you do if the landlord gave you notice to quit? This is the major downside of renting or leasing; it not only gives you flexibility but also your landlord

It's advisable to ask your Solicitor to review all the documents before you sign or commit to anything.

Office Equipment

What line of trade you are in will obviously dictate the equipment you need. However, as a minimum you will need general office equipment such as desks, chairs, filing cabinets, fax, photocopier, telephone lines, PC, and furniture for your customer waiting area.

Depending on your budget you can either buy new or second hand. Search through the on-line auction sites such as ebay, scan the local papers and look out for liquidation or bankruptcy sales. These are the best ways to get great deals in both new and second hand equipment.

Well, that's, we have come to the formal end of the steps you need to take to set up a small business.

Next we will wrap things up by taking a look at some general points to help ensure you set up a really successful small business.

10 Common Mistakes Start Up Businesses Make

Even if you follow all the steps outlined in this e-book it is a frightening fact that very few start up businesses make it beyond their 3rd year. Failure is usually down to a number of clearly identifiable mistakes, which if you are aware of, can increase your chances of survival.

Here are the top 10 common mistakes which small businesses tend to make.

1. Lack of Market Research

When a budding entrepreneur comes up with an idea for a new business he assumes that because he would buy such a product or service then everyone else will. This may be the case for day-to-day necessities but for other items this is usually not so.

It's important that when you start up you carefully research the market to check that:

- a. There is demand at a level which would lead to a sustainable business
- b. People are prepared to pay the price required for you to make a decent profit

Undertaking market research may appear time consuming but the effort will pay off.

2. Poor Record Keeping

Some business people are not born administrators; they feel more comfortable getting out there and 'doing the business'. Paperwork is too easy to ignore but can never be put off indefinitely.

Sales, purchases and other expenditure must be carefully documented, so you know whether you are making a profit or not. Invoices must be issued on time and chased up promptly if there is a delay in payment. It's all very well having the sales but poor record keeping can hold you back.

Having your paperwork in order will also save you time when it comes to your accountant doing your year-end books!

3. Insufficient Capital

When starting off it's easy to decide what capital is required for fixtures and fittings, machinery and stock. What many new business owners forget about is the cash needed to fund day-to-day requirements, i.e. cash to pay expenses before your customers pay you. This is known as your working capital requirement.

Small businesses can fail because they have insufficient cash to start off to meet these immediate expenses. If you wish to survive make sure you set aside enough cash to meet all your needs for the first few months.

4. Ineffective Marketing or None At All

You cannot afford to treat the cost of marketing as an unnecessary expense. A business with no marketing is like waving in the dark – you know you are doing it but no one else does!

There are many ways to promote your business on a small budget; it's just a case of being inventive and creative. What ever you do, don't assume that people will quickly know you are in business – they won't, unless you tell them.

5. Ignoring Changes in The Market Place

As a small business owner it's very easy to get immersed in your business and not see what is happening around you in the market place. Always keep your eyes and ears open to what the competition is doing and what your customers want. Subscribe to business and trade journals and most importantly of all, speak to your customers.

6. Owner's Attitude

Attitude is everything in business. Don't forget that the real boss in your business is the customer. Running a business may make you feel important but don't let this develop into an 'I am better than you' attitude. Do this and you will quickly chase your customers away.

7. Spending On The Wrong Things

Being in business can be exciting, especially as the cash starts to roll in! However, don't be tempted to spend it on a new car, a house or just a good time. If you are to own a successful business then you have to keep some cash back to fund future growth. A business cannot grow without cash, so commit to spending business money on the business and not just the personal niceties of life.

8. Dependent on a Small Number of Customers

Don't fall into the trap of setting up a business just because one person says they will buy from you every week or month. Setting up and running a business, which is dependent on one customer, is not a recipe for success. What happens if, one month after you have spent all your cash to set up your business, that customer says he has changed his mind and has decided to buy elsewhere? Unless you can find other customers very quickly you are faced with closure.

Before embarking on a new venture make sure you have a sufficient number of customers such that if a few go elsewhere you can still continue trading.

9. Growing Too Quickly

Surprisingly, growing too quickly can be a problem. You have to be disciplined enough to only take on work you can handle. If you are tempted to accept too much you could end up disappointing not only the new client but also your existing ones.

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Also don't under-estimate the impact rapid growth can have your administrative burden. As I mentioned earlier, getting behind on the paperwork can have an equally damaging effect on your business.

10. Trying To Do Everything

Finally, the problem most small business owners have is the fact that everything falls on their plate. Inevitably this is how it's likely to be in the beginning, when the limited budget means that staff are a luxury, but as your business grows be aware that you cannot continue to do all tasks. There will come a point when you become inefficient and not have enough time to complete everything in sufficient detail. Taking on an extra pair of hands will increase your costs but you will be surprised at how much time will be saved in the long run, allowing you to do what you do best – getting the business in.

Take a look at each of these mistakes and make sure that you don't fall into the same traps.

The Truth Behind Entrepreneurial Myths

So here we are at the end ... well almost. Before I close I want to finally break down any mental barriers you may have about starting up your own business by looking at some of the myths surrounding entrepreneurship. These myths are perpetuated and taken as truth to the point that many budding entrepreneurs decide not to take the plunge. Don't get me wrong, being an entrepreneur can be tough and there are hurdles to cross, but let's bring some common sense into the debate!

If you are about to start off in business you will have no doubt heard these comments:

"So many businesses fail. Why are you doing this?"

"I hear that you need a large amount of money to get a business off the ground these days."

"Why are you throwing away the security of your job?"

These, and more of the same, are typical of the barriers that so called friends and advisors will put in your way if you are thinking of starting a business. These barriers are built on the back of myths about the pitfalls and challenges which surround running your own business.

You Don't Have a Personal Life

Yes you will! It can be hard juggling the responsibilities of running your own business and spending time with the family, but at the end of the day, you are going to have far more flexibility with your personal life, than any employee will ever have. The real issue is, do you have the time management and planning skills to get things done, thereby allowing you time to spend with your family?

You Have To Be Cunning and Ruthless To Be a Successful Entrepreneur

Ok, it may help you in the short term but this cunning ruthlessness is not a sound, long term strategy. To be a successful entrepreneur you need to build relationships with both customers and suppliers who will stick by you during the rough times. Being ruthless over pricing may get you one or two good deals but you are unlikely to build a lasting and profitable relationship. Your aim should be to strike a balance between what you want and what your customer or supplier wants.

You Won't Have To Work As Hard

Your current job may be stressful and subject you to long hours so the idea of running your own business is appealing because you can slow down and take life at your own pace. To a degree this is true but there's no getting away from the fact that it will be hard work. Most small businesses don't achieve profitability until year 3 and so it's a long slog. Remember, if was easy, everyone would be doing it!

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What does make the difference though, is that you are finally doing something you love and so the hours and the struggles don't seem like hard work at all. So perhaps this myth may be true after all!

You Have To Have an Original Idea

As we saw in the early part of this e-book you don't necessarily need a new or novel idea. Most businesses are built around a central idea. The difference is usually how it's delivered. The core products of all fast food places are the same, as are clothes shops, newsagents etc. You can make a decent living effectively copying someone else's idea but done in a slightly different way. Don't be put off by the doomsayers who will gleefully point out that "it's been done before". Your response should be, 'Great! That shows the idea works!'

You Will Be Your Own Boss

No way! There's only one boss in your new business ... the customer. They are essential to your success. When you were working for that large, faceless Corporation, the loss of the odd client wasn't that big a deal - plenty more where they came from. In your new world you have to do whatever it takes to keep your customers and keep them happy. The customer is the one who calls the shots. You have to listen and take note, before someone else does and takes your customers business. However, at the end of the day, when all their demands are met, then perhaps you can have some time to yourself and enjoy the pleasures of being your own boss after all!

You Need A lot Of Money To Get a Business Off The Ground

Some businesses do need a fair bit of cash to get moving but there are many sectors you can go into without the need to invest in a large amount of stock, machinery or equipment. The low-capital businesses involve the use of three very cheap commodities – your brain power, your knowledge and your time.

A business where you sell your expertise, not actual goods, to other people can be cheaply set up and carry high profit margins. All you may need is a PC, a desk and a telephone line. What's stopping you?

You Only Have To Do What You Want To Do

Unfortunately this myth is wrong. We all have areas or skills in which we excel and it's this expertise which usually forms the basis of your business. Your dedication to paperwork, bank statements and the VAT man may not be that high, but branching out on your own doesn't mean you have the choice to avoid these terrible tasks.

Whilst you were able to do this when you were sitting in the big corporate office, you can no longer hide. These tasks have to be done otherwise the deck of cards can start to collapse.

If you do have serious misgivings on certain areas, marketing for example, then consider taking a course to improve your skills. If it's something you seriously can't do, then go and find someone to do it for you – don't hope it will go away because it won't.

You will have seen that some of the myths not being true is good news and others not so good news! Be sensible in considering the myths which are thrown

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at you. See it for what they are - comments from people who don't know what they are talking about!

You're Off!

So that's it! You now have everything you need to get off to a flying start with your new business.

We have covered a lot of ground and I hope to have inspired and challenged you to be bold and adventurous in your dreams to be an entrepreneur.

Nothing else remains except to get started!

Every Success

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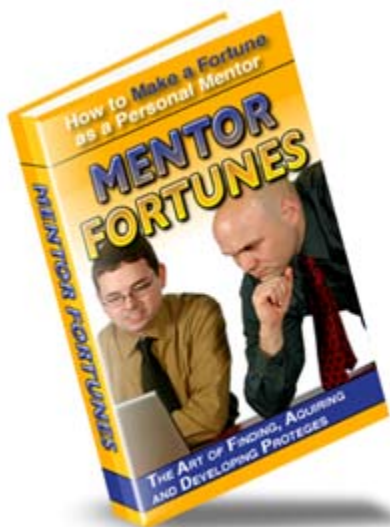


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Here's what some of our subscribers are saying about Small Business Success ...

"Starting a new business can be a minefield with the information that you need often very difficult to find. Through using Small Business Success, we were able to quickly and effectively source key information and resources that helped our business to grow and become a key company in the recruitment of sales professionals across London and the South East"

Sean Gannon
Director
Jackson Rundle Associates
www.jacksonrundle.com

"As a small business entrepreneur feeling isolated is often a common occurrence, with help and advice being few and far between. What I have found brilliant about the small business success newsletter was the use of applicable information. Newsletters are far too often heavy reading material which frankly I don't always have time for but with the SBS newsletter you can spend the first few minutes of your day with a cup of coffee reading practical thought provoking pieces which can be applied that very same day."

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William Rabie
Managing Director
NEOHEAT
e: william@neoheat.com
www.neoheat.com

"It's really great that a facility like this exists to help SMEs find genuinely useful information & advice on all business related matters. Keep up the good work!"

Jonathan Ambrose
www.interactiveplus.co.uk

"Small Business Success provides important, useful and handy-to-know nuggets of information on almost every aspect of running a small business. I don't need to scour the latest articles or struggle to keep abreast of what's going on that might potentially affect me - because Rob's newsletter has most angles covered. The articles from other small business owners also provide useful food for thought. Highly recommended."

I Bansal
1st Toys Online
www.1st-toys-online.com

"The Small Business Success newsletter makes me stop and think of topics that wouldn't naturally spring to mind in the day to day running of a small business. The useful links provided have also allowed me to investigate things there and then and sometimes really making a difference to the way I do things. The small tip at the end such as making referrals etc have also helped me no end with networking situations, which are the main source of clients for my business.

So thanks Rob for your articles and tips!"

Clare Barton
p@ss - The Virtual Assistant Service
www.virtualpass.co.uk

I have run my business for the past 10 years and have learnt a lot since I started, but find your regular newsletter sparks new ideas and often inspires a different approach to a familiar situation. I work with a variety of business owners, from sole traders and professionals to owners of retail outlets and larger businesses and use a mix of marketing, branding and coaching techniques to help my clients achieve business success.

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"Small Business Success, Your weekly newsletter is a valuable resource for the new small business entrepreneur. Setting up a new business is a daunting and often lonely road to take. Not knowing where to start, who to speak to for advice and guidance coupled with that nagging little voice in the back of one's mind (I call mine 'Harry the Rat') saying "you'll never do it", can be a real setback and the difference between going forward or giving up. Having to trawl through a minefield of information is both time consuming and sometimes unproductive. Your newsletter and website provides critical information, excellent tips and advice in a concise and unobtrusive manner and is a pleasure to read. Do I recommend Small Business Success? Unreservedly! As for 'Harry the Rat'... move over."

Pauline E Scatterty

Proprietor- Moore Secretarial Services UK

<http://www.moore-secretarial-services.co.uk>