



Essential information to help you build a brilliant business

# the **Essential** **Start-up** Guide

An Essential Business publication by **cobweb**<sup>®</sup>

# Who's behind the Essential Business series?

This **Essential Start-up Guide** is part of a wider series of practical books and workbooks, published by a team of people who know that businesses need practical, no-nonsense information.

**The Essential Start-up Guide** is part of the **Essential Business series**. The series was created originally by a small publisher, Essential Business Ltd, founded in 2002 with the aim of producing engaging business materials.

This booklet, which accompanies **The Essential Business Guide**, aims to give you a taste of the look and feel of Essential Business books and workbooks.

Essential Business was started by **Julie Stanford**, a business owner of over 25 years. She believed that most business owners were far too busy to spend hours searching for information, but that not knowing about certain aspects of business could be



**Julie Stanford and Marianne Whitfield – taking care of business**

damaging. Whilst there were lots of good business books about, not many were easy to use. Julie wanted to change that, with good design and practical useability.

The first book was a local edition of **The Essential Business Guide**. It sold out within months, encouraging Julie to create



a second, national edition. This won the coveted Plain English Award – the only business book ever to do so – and began to be called 'the small business bible'.

The third edition built on those successes. Word spread, and thousands of copies were sold, not only to individuals, but also

to business support professionals, colleges and universities who like the clean, easy-to-read style.

In Spring 2011, Julie met with **Marianne Whitfield**, Director of the long-established publisher of comprehensive business information, Cobweb Information. The two companies combined their experience and expertise to produce a fourth edition.

In 2012, Julie joined Cobweb Information, taking with her the Essential Business series.

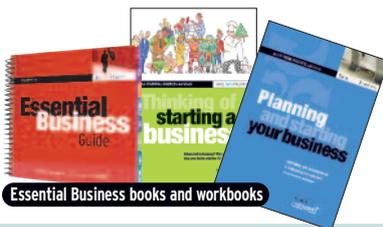
**Within all its publications and services, Cobweb Information has a vision to provide clear and straightforward information to UK business owners. Real information, no wasted words.**

## The Essential Start-up Guide

© Cobweb Information Ltd, 2013.

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Essential Business books and workbooks

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## For the attention of our readers

**The Essential Start-up Guide** offers business guidance and information, and not direct advice.

If you want more detailed information and guidance, we recommend that you always take advice from professionals in the subject area. We have listed some key national business resources for your further use.

We cannot guarantee the level of service you will receive from the organisations listed as that will be subject to your own agreed contract. Thank you.

Wishing you could leave the rat race? Then perhaps it's time to stop dreaming and take the first step.

We'll help you get it right from the beginning...



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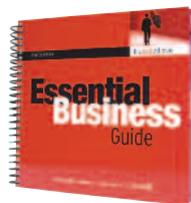
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# Welcome

You're probably reading this **Essential Start-up Guide** because you're thinking of starting a business, you've just started a business, or you're in a really, really boring corporate meeting. Whatever your reason, we're glad you're here. Starting a business can be one of the most exciting, challenging and scary things you'll ever do.

We know because we've done it. We know that starting a business can feel like standing at the start of a maze. You're not sure where you're going to turn next, which direction you should be going, or if you'll ever find your way out again. We're here to help.



This book is designed to make you think before you plunge in and to help you start on the right track. Once you get going, you'll need a lot more information about law, marketing, finance, people and the day-to-day challenges of building and growing a successful business. You'll find all these in our comprehensive and award-winning book about running your business, **The Essential Business Guide**.

**We wish you every success in getting your business where you want it to be. Let us know how you get on...**

*Julie*  
*Manon*

# Is business right for **you**?

## REALITY CHECKLIST

When starting a business, expect the best but prepare for the worst!

- ✓
- Do you have previous management or business experience?
- Can you put in the time and effort?
- Can you live without a guaranteed income?
- Can you control your finances?
- Do you have the money to start and run the business?
- Can you cover your own and your family's living expenses?
- Will you be content to lower your standard of living, perhaps for a while?
- Do you have 100% commitment to your idea?
- Are you clear about your goals?
- Will your friends and family back you in the good times and the bad?
- Do you have experience of your market?
- Do you have the skills you will need?
- Are you prepared to learn new skills?
- Do you get on with a variety of people?
- Are you a good decision maker?
- Do you have willpower and self-discipline?
- Are you organised and a good planner?
- Are you happy working long hours?

Ticked less than half? Maybe think again?

More and more people are starting their own business, but is it right for you?

**People decide to start a business for all sorts of reasons.** For some, it's simple: they see a need for a new product or service and get straight on to it. Others find that something they've been doing as a hobby or a favour for friends grows and grows... Suddenly, they're hiring staff and premises to cope with the demand.

## Can't get no...?

**Self-employed people** generally have higher levels of job satisfaction than most of the population.

Study by Professor Oswald of University of Warwick.

**Spend some time thinking about why you want to start a business.**

Think about ways in which you can set up your business so that it suits your personal strengths and weaknesses (see opposite page). Take time also to make sure you know what you want from your business (see page 4) and that your proposed business idea can actually deliver this for you (see page 5). Think about whether you have the right skills (see page 6) how much time you can devote to your business (see page 7).

**Then you can really get going!**

## Essential resource

Our free weekly email newsletter, **EnterQuest Bulletin** contains tips and ideas for start ups and small business owners.

**Sign up at: [www.cobwebinfo.com](http://www.cobwebinfo.com)**



# Are you right for business?

**Be realistic. If you already have a business idea, is it right for your personality?**

**There are some basic questions you should consider.** For example:

- Do you get a thrill from taking risks, or does it terrify you?
- Are you thrown into a panic by financial insecurity or do you relish the challenge?
- Do you like communicating with people – really, really like it – or are you quite shy?
- Do you like to have structured routines in your life, or are you very adaptable?
- Are you happy to work alone and be self-sufficient when needed or would this drive you demented?
- Can you do lots of jobs at once, and switch easily between them or are you a one-track-at-a-time person?
- Are you optimistic and resilient, or do you easily become disheartened if things do not go to plan?

## Remember

**Do you really believe in your business?**

If you don't, then how can you expect anyone else to?

**Think about how each answer fits with your initial business idea:**

- If you are not naturally a risk-taker, and hate financial insecurity, have you chosen a business idea that will need a big investment at the start? If so, can you find ways to finance it that will not leave you penniless if it all goes wrong?
- If you're shy, can you employ someone to make sales calls?
- If you love being around other people, but would be working alone in your new business, can you join with others who work

in related businesses, or rent space in a shared office? If not, you could make a point of joining some networking groups, so you don't just end up talking to the cat for company.

- If you are well-organised and good at multi-tasking, you will be glad of these skills once you start your own business, away from all the natural support structures of many employed jobs. If you know that you are a disorganised person, put structures in place to help you create order (for example, invest in good management software or rent a serviced office). You could also employ others in the areas where you need most help (for example: a freelance book-keeper, business adviser, or general elf).
- If you're easily disheartened, consider using the services of a business adviser or mentor who can help keep you focused and positive.

# Start with the end in mind

**What are you setting up your business for? Do you want to make a million, retire in ten years' time, get out of the rat race, spend more time with your children, pursue a hobby... Or what?**

## **Knowing what you want from your business**

is a good place to start. It sets a clear goal to work towards. You can then begin working out how you will achieve this goal.

If you know what you want to do, it's tempting to print some business cards or leaflets and get started straight away. Don't even think about it.

Unless every single thing that you do takes you a step closer to the goal that you have set yourself, you could be putting a lot of time, energy and money into activities that are taking you in completely the wrong direction.

A well thought-out plan is one of the cornerstones of a successful business. It helps you to think through your ideas, goals and actions before you rush in.

Planning what you will do and how you will do it may feel like putting the brakes on... but it could save you much money and heartache later. Rushing into business without researching your market or planning your finances could be the quickest way to kiss your dreams goodbye.

## **Knowing your values**

When you are making your business plan, it is important to think about the values that you will live and trade by.

For example, will you keep your promises in a sector where many don't? Will you make sure that your products are not produced by child labour? Will you always honour your guarantees?

Knowing what your business stands for can give you a competitive edge in the market. It makes your business distinctive and different and thus more likely to achieve your goal.

## **What's in a plan?**

**Objectives:** what you want to achieve/where you want to go

**Strategy:** how you will get there

**Operations:** all the things you need to do to get there

How to research and plan your new business is all covered in detail in our *Start your Business Step by Step* pack available only from our website at [www.essential-business.co.uk](http://www.essential-business.co.uk)

# Your business idea

**A good business idea** is, by definition, a product or service that sells. If you start with something you're good at, that doesn't necessarily translate into something people want to buy. Lots of business ideas look great on paper, but the only test that matters is whether they're great in the marketplace.

You can't be sure that your initial assumptions about your business are right unless you do some proper research (ie don't just ask your best friend if they think it's a good idea).

**You need to be able to answer these questions:**

- What makes you think anyone will buy your product or service? What evidence do you have for this?
- If people say they will buy from you, how will you deliver your product or service in the quantity and at the quality that people will want?
- Can the business make enough money to be worthwhile?
- How long will it take to start covering your living costs? (See page 14 for more about your personal survival budget.)

**It's useful to spend some time thinking about what your business will do instead of rushing into the first idea that springs to mind.**

**Not sure what you should do?**

If you have only got as far as thinking you would like to start your own business but don't yet know what you could do, you could start by listing your skills and strengths. If your business is based around the things you're good at, or the things you enjoy doing, you're more likely to keep going even when things get tough. However, make sure that your business can deliver the goals that you have set yourself, whether it's a million pounds in the bank or a million widgets sold.

On the other hand, you may have spotted a gap in the market for a product or service that you have no idea how to produce or deliver. No problem! If you can *sell* that product or service, you can hire someone who is positively brilliant

at making and delivering it instead. Remember, Richard Branson can't fly a jumbo jet but that didn't stop him building a highly successful transatlantic airline company.

**To launch a successful new business, three things are crucial:**

- 1 You need to be the right sort of person.
- 2 Your business idea must be right for the market.
- 3 Your idea must hit the market at the right time.

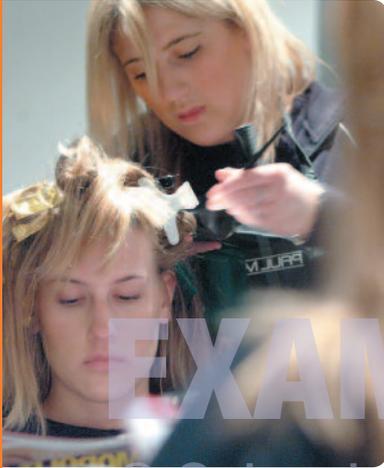
Luck also helps! So, hope to get lucky but also do your planning. The bottom line for any business is: **do enough people want to buy what you want to sell?**

## Essential resource

**E Myth Mastery**  
by Michael Gerber

This excellent book teaches the 'seven essential disciplines of the successful business owner'. Although requiring time and effort to read, it's worth it.

# Finding the right skills



## Running a business demands a wide variety of skills. Can you cover all these areas yourself?

**Just because** you are fantastically good at a particular skill – painting, accounting, repairing computers – that doesn't make you fantastically good at business. You may know all there is to know about paint or computers, but what about the other skills a business needs? Do you know everything you need to know about strategy, planning, marketing, management, or finance?

Which are the areas where you'll need to call on professional help?

- How are you going to let your customers know you are in business?  
▶ *Marketing and selling skills*
- How are you going to gather information about your market, your customers and your competitors?  
▶ *Research skills*
- How are you going to manage your time?  
▶ *Organisational ability*
- How are you going to set objectives, actions or tasks?  
▶ *Planning skills*
- How will you manage your IT?  
▶ *Technology skills*
- How are you going to meet the right people to talk to?  
▶ *Networking know-how*

- How are you going to talk to people about your ideas, what you do or what you sell?  
▶ *Communication skills – including talking, listening, writing, telephoning and presentation skills*
- Do you have the ability to compromise and see long term?  
▶ *Negotiation skills*
- How are you going to motivate, manage and lead the people who work for you?  
▶ *People skills*
- How are you going to manage, control and keep records of your finances?  
▶ *Financial or accounting skills – or a willingness to learn about this key area of running your business*

Don't feel that you have to have all these skills in place before you can start a business. You can hire an accountant, a lawyer, send staff on training courses, and go on training courses yourself. Just be aware that if you don't have one of these skills, call on someone who does, rather than trying to muddle through.

### There's one skill, perhaps, that no-one can help you with in business:

- Do you accept the responsibility?  
▶ *Decision-making skills, and the ability to live with your decisions, whether right or wrong.*

## A point to ponder

Get into the habit of looking at your business from three vantage points:

**Ground level** – the way you do things day to day, your processes and procedures

**Middle level** – the way you manage getting your product or service to your market

**Top level** – where you are heading and how you will manage the journey from here to there

# Full time? Part time? New? Existing?

**Are you going to make a full-time commitment to your business, or run it alongside your existing career?**

**Plenty of people** begin a business as a spare-time project. Others want – or need – a new, full-time commitment. Also consider whether you want to start a business yourself from scratch, buy one that's already trading, or think about franchising.

## Ways to start a business

### Start-up

Starting up a new business gives you the chance to turn your own ideas into reality.

### Buying an existing business

This can be less of a risk than starting from scratch (although you will pay a price for that reduced risk). The business should already have existing systems, clients and a reputation in place. Caution: Ask an accountant or business adviser to review the business, and the market value for that type of business, before you commit to buying it.

### Franchising

Franchising allows you to start your own business using someone else's brand name and know-how. There is less risk in starting with a franchise, but there is no guarantee of success.

You lose some autonomy, because you have to use the franchisor's brand name, and the systems that the franchisor dictates. **There is more information about franchising on page 21.**

## Who else is out there?

No matter which form of business you're thinking of, before you commit yourself, you'll want to know who you'll be competing against.

- Are there any trade publications for the area you are looking to enter? Read them. Find out what's going on in that market.
- Are there professional bodies associated with your industry? Can you get an idea from them whether the market is stagnating or on the up?
- You can also buy the services of a market-research specialist or data-listing company.
- Gather as much information about your competitors as you can. What are their prices? What services do they offer? Can you offer a better price or a better service? **Read more about pricing on page 11.**

## Home alone?

**Working from home** may seem an easy and inexpensive option when you're starting out. In these days of broadband and VoIP, you can run a multinational business from your back room with very little outlay. You can also claim tax allowances for expenses such as heating and lighting. No commuting, work in your pyjamas, and if you're struggling with that spreadsheet, hey, clear the head with a quick walk round the block instead. What's not to like?

Well, it's easy for the boundary between home and work to get blurred. It's very tempting to check that last email before going to bed, or to find that the family can't eat because the table is piled high with half-hemmed garments or the latest invention.

Making a clear line between family and business, especially if it's in your home, can give you a better work-life balance in the long run. And help you achieve *all* your goals.



# Standing out from the crowd

**When you are thinking about entering a market, how can you avoid going straight into a space occupied by an existing competitor?**

**Going head-to-head** with an existing business – a competitor – when you are new to the marketplace will almost certainly make your life harder.

Competitors are anyone who can get your target customers to spend money with them that they might otherwise have spent with you. Competitors may not be offering exactly the same product or service that you plan to offer, but they will either ‘solve the same problem’ for the customer, or have the capability to do so.

You might find it helpful to draw some diagrams or positioning maps to help you think about competitors, and to identify the gaps you could fill in your marketplace. These show the positions already occupied by those already serving the customers you want to target. They will also help you to decide what type of image or brand you could develop for your business.

In an ideal world, you would base your positioning maps on *how your potential customers see your competitors*, not just on your opinion. You might need to do several, too, looking at different aspects of your product or service. For example, if you were setting up a corner shop in a village, one of your diagrams might look like this:



This diagram would tell you that customers scored the small local **Co-op** quite high on friendliness, yet considered its prices as higher than those of **Waitrose**, whose prices are still considered high.

**Tesco** are thought of as having the lowest prices locally, and you may have no chance of matching their prices, but your new corner shop can easily be seen as friendlier.

As a new shop owner, you would need to find a position where you stand out from the crowd. If you have no hope of fighting the competition on price, you'll need to beat them on friendliness, customer service, importance to the community, or whatever is most important to the customers you decide to target.

By producing a similar map, you can position yourself clearly in the market and avoid a (potentially disastrous) head-to-head battle with an established competitor.

# It's all in the **name**

**Many people underestimate the importance of choosing the right name for their business. There are legal as well as artistic considerations too.**

**When you start a new business, you can trade under your own name or have a different business name:**

- **Sole traders** tend to use their own name, such as Peter Smith, but the name should also reflect the type of business – Peter Smith Florists, Peter Smith Cars.
- **Partnerships** can trade under the names of all the partners or a business name.
- **Limited Companies** or **Limited Liability Partnerships** can trade under the registered name or a different business name.

## Quick tip

When you're thinking about your business name, remember that you may also want to register it as a domain name for a website and email. To check which web domain names are available, quickly and for free, use a domain name search website such as: [www.namecheap.com](http://www.namecheap.com)

## What makes a good business name?

A good business name should:

- be easy to remember and clear
- fit perfectly with your business image
- be easy to find in directories and listings.

Test out your business name ideas on friends and family – they will soon tell you what's good and what isn't!

Make sure that your business name is not too similar to another existing business in the same sector or industry or you could face legal action.

## Naming no-no's

There are also certain rules when it comes to choosing a business name. Your business name should not:

- be confusing or misleading
- use slang or jargon that will date quickly
- use illegal or offensive words
- use restricted or prohibited words, such as British, Royal and Bank (unless you have obtained the proper authority).

There are also restrictions on suffixes.

- You can only use Limited or Ltd, if you are a limited company.
- You can only use LLP if you are a Limited Liability Partnership.

Your business name cannot already be in use or conflict with a registered trade mark.

You can check which company names are already being used at the **Companies House** index of company names and LLPs: [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).

Companies House can also tell you more about what words or names are restricted.

A company registration agent can check for registered trade marks to make sure that you are not infringing any trade marks with the name you choose.

## Registering your business name

You do not, by law, have to register your business name, but when you set up a limited company the name will be registered at Companies House.

You might also consider registering the name or logo as a trade mark to protect your name and brand as your business and reputation grows. You do this through the **Intellectual Property Office**. Visit [www.ipo.gov.uk](http://www.ipo.gov.uk) or call their central enquiry line on **0300 300 2000**.

## Name and image

Use the thinking you've done about your position in the market (see page 8) when you're deciding what to call your business. **Pete's Pie Shop** and **The Beautiful Bakery** may sell exactly the same products, but would appeal to different customers.

# Choosing your customers

Many businesses just serve the customers who come to them, rather than building the best mix of customers for their business. Don't make that mistake.

## Do you know who your ideal customers will be?

The best way to approach this crucial part of your planning is to start right at the beginning, and think about who your customers *should* be. This applies whether you are starting a new business or running an existing one.

There will be some customers who are easier to win, some who are harder but more profitable, some who will appreciate your strengths more than others, and so on. Can you find the best combination? Can you find the ones who will buy from you with less persuasion, more frequently, and for a higher price than others will?

## Work smarter, not harder

Even when your business is up and running, it is a good idea to take a step back from time to time, and think hard about what mix of customer types would be best for you, to match with your strengths, and to meet your business goals.

If you do this right from the start, you can 'work smarter, not harder'. You are less likely to find yourself in a situation where you are working all the hours there are for very little profit.

**Remember, being busy will not in itself make you successful. You need to be busy doing the right things, for the right people.**

## Here's an example of choosing your customers:

### What am I best at doing?

Management consultancy and training, but more usefully: *making companies more profitable.*

### Who will appreciate it most?

MDs of companies that are big enough for me to make a real difference to their profits.

### How easy are they to convert to a sale?

I can reach them via networking events and free seminars, and eventually referrals from satisfied clients.

### How many of them are there in my area?

Enough for me to win five or six contracts a year.

### Will this be enough business?

No, I will also be running some training for colleges (less well paid, but steady work), and offering business support and mentoring via my website (offering more to existing, satisfied clients).

### What mix of customers would be ideal?

By my third year in business, I would like to have stopped training in colleges, and be doing an equal amount of training work and consultancy for corporate clients. I will also have written a 'how to' book, aimed at managers of teams of twenty people or more, to attract retail sales.