

Starting a business

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

Is running a business for you?

Whatever your starting point, there are some basic questions you need to ask yourself about your business idea, your personal aims and your business skills and know-how. Think about your reasons for wanting to run your own business. Are you hoping to do something that:

- will be your only source of income?
- you're good at and enjoy?
- you have experience in already?
- means you'll be your own boss, making all the decisions?
- gives you flexible working hours and location?
- involves some risk and hard work?
- you believe in?

Running a business is challenging and time-consuming so it's worth thinking about whether it would suit your personality and lifestyle. Try to speak to people who have had been involved in running a business (such as friends or local shopkeepers in your community) and ask them lots of questions about their experience, what they think it takes and what you should be prepared for.

Assessing your abilities

There is no single type of person who is good at running a business but there are some characteristics that successful small business owners have in common. How many of the following can you say apply to you?

- hard-working and committed – with lots of ‘get up and go’
- organised and responsible – good at getting things done
- good at communicating and getting your point across – able to sell
- determined and focused but able to take advice
- flexible and adaptable
- quick to grab opportunities and ready to take risks
- creative and imaginative – always coming up with new ideas
- tough-skinned – able to handle failure
- individualistic – not afraid to stand out from the crowd
- sociable and a good leader – important if you will be employing others

Don't worry if you haven't got all these characteristics – it doesn't mean your business won't be a success. The key is to develop and grow your skills as you get more experience.

Developing business skills

Running a business involves many different types of skills. In the table opposite, rate yourself according to your current knowledge and experience and then work out which areas you need to know more about. Speak to your local colleges, Prince's Trust contact or your business adviser to find out how and where you can access training to develop your business skills.

Business activity	None	Poor	Fair	Good
Researching your idea or market				
Preparing a business plan				
Costing products and services				
Preparing cashflow forecasts				
Raising start-up finance				
Finding business premises				
Insurance				
Regulatory and legal requirements affecting your business				
Health and safety requirements				
Writing business letters				
Writing and designing sales materials				
Dealing with customers				
Purchasing stock and equipment				
Stock control				
Tax, National Insurance and VAT				
Bookkeeping				
Using IT for your business				
Recruiting, employing and managing staff				

Researching the big idea

Are you clear about what your business will do? This may seem obvious but many people overlook the importance of this question. You need to be as specific as possible about the kind of business you want to run.

For example, imagine you are opening a dressmaking business. Will it be a providing a local tailoring and alteration service at affordable prices? Or will it be more upmarket, making made to measure wedding dresses at higher prices?

The decision you make about what your business will do will affect every aspect of your venture – from your choice of premises and location to the amount you will need to spend on fixtures and fittings and the different laws you will need to comply with.

Thorough market research is crucial as it will help you establish whether there really is a market for your enterprise. The more research you do, the easier it will be to make decisions in the future about your marketing strategy, budget and overall sales targets.

This research will help you identify:

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

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

Test marketing is a great way to check out whether your business idea will work. It also gives you valuable feedback from real-life customers. Test marketing your product or service doesn't have to be complicated or expensive. You could:

- pick a spot on a busy high street to show your product to potential customers – giving away a free sample is a good way to get their attention.
- ask a local shop to carry a limited range of your product to see how customers respond.

The Prince's Trust offers grants for test marketing to help with the costs of

Prototype: a working model or sample of your finished product

researching your idea and creating a **prototype** or limited sample of your product or service. For details go to www.princes-trust.org.uk or call 0800 842 842.

Finding the finance

You will need enough money not only to set your business up, but also to cover your initial running costs. If you don't have enough money yourself, you'll have to approach other sources for finance. This is where your market research is important because potential funders will want to see that you have a realistic business proposal and have calculated the money needed to start up.

You also need to prove that you've thought about and planned your ongoing budget. Budgeting simply refers to the process of working out what you expect your business to earn and spend within a given period (say, a month or a year). Planning and sticking to a budget stops you from overspending, which is one of the main reasons why small businesses fail.

Start planning your finances by thinking about:

- **costs** – calculating the different types of cost associated with running your business such as rent, phone bills, purchases of materials and equipment.
- **personal living expenses** – the amount of money you will have to take out of the business to survive.
- **sales targets** – try to forecast the sales you expect to generate. Be realistic – a common problem for small businesses is that they run out of cash when they can't achieve ambitious sales forecasts.

As your business becomes established and your profits grow, you'll be able to take more money out of the business. But you will probably want to reinvest most of your profits into building the business at first.

Sources of business finance

There are a number of options for financing your business. The two most common for small businesses are debt finance (such as a bank loan or overdraft) and grant funding.

Debt	Grants
<p>→ A loan is an amount of money you borrow from a bank and pay back over an agreed period and at an agreed rate of interest. Usually loans are fairly flexible – you can pick a repayment period that suits your business and shop around for good deals. On the downside, loans often need to be secured against an asset like a car.</p> <p>→ An overdraft is when your bank agrees to let you withdraw more than you actually have in your account. Your bank will set a maximum level of overdraft. You only have to pay interest on the amount you are overdrawn, so overdrafts can be useful if you only need small amounts of extra cash regularly. However, the interest you pay is often higher than the rate for a loan and the money can be called in by the bank at any time.</p>	<p>→ A grant is a sum of money that usually doesn't have to be paid back. Grants are usually available in certain geographical areas, for certain types of businesses or for specific projects, like marketing or buying IT equipment. Grants are a great option because you don't have to repay the money. But they are hard to get hold of as competition for each one is intense. You're also usually asked to match the grant amount with your own money, which can be difficult for new businesses.</p>

Ask your Prince's Trust contact, business adviser or bank manager for more information about start-up finance in your area.

Opening a business bank account

Before you can get hold of any money you'll need to open a business bank account. It's worth looking into this early on as it can sometimes take a bit of time. Visit your local banks to understand the types of banking services they offer small businesses. Shop around and compare the costs of different business bank accounts and figure out which works best for your business.

Opening a business bank account is fairly straightforward. When you open your account, you'll need:

- a form of identification, such as your passport or driving licence
- proof of your address, such as a recent gas or electricity bill

It's also worth registering to vote by contacting your local council as banks usually check for your name on the electoral role and may refuse account facilities if your name doesn't appear.

Bear in mind that a bank is likely to run a check on your credit history before agreeing to give you an account. If you are currently paying off debts or have had debts in the past, this may affect your options. If you have any County Court Judgements or other defaulted loans or credit, make arrangements to pay them and tell the bank when you apply for a business bank account. A bank is more likely to look favourably upon your application if you can show you are trying to overcome past problems.

You can also get help and advice on dealing with debt problems from the National Debtline. Call 0808 808 4000 or visit www.nationaldebtline.co.uk for more information.

Help and support

Research has shown that businesses that seek advice and support, particularly during their start up phases and first few months of life, are the most likely to survive and succeed. You can get help and support from the following:

- The Prince's Trust – visit www.princes-trust.org.uk or call 0800 842 842
- volunteer business mentor
- business adviser
- enterprise agency
- bank
- accountant
- lawyer
- other small business owners
- friends and family
- business club

Business advisers, mentors, family members or friends give invaluable support, they can:

- act as a sounding board for your ideas
- help you spot potential problems and pitfalls before you hit them
- help you organise your research
- find and explain any sources of finance available to you
- help you pull together your business plan

Make sure you have the support and understanding of friends and family when you start your own business. It will eat up your free time and cause disruptions if you work from home with visitors calling, phones ringing and the sudden need for extra storage space.

Tasks and tips

-  Think hard about your business idea and whether it will work for you. Why do you want to start a business? What will it do? Where do you want to be in three years' time? Try to be as realistic as possible about your goals.
-  Speak to other people who've started their own business and ask lots of questions about their experiences.
-  Be careful when talking to your friends and family about your business idea – they may be biased. It's better to get professional advice before making any important business decisions.
-  Make time to do your market research. It's critical to your business success.
-  Use the table in this guide to assess your skills and think about getting some training to increase your business know-how.
-  Look into opening a business bank account early on as this can sometimes be a slow process.

Many of our loans benefit from a guarantee provided by the European Investment Fund under the European Community's Multiannual Programme for small and medium sized enterprises.



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