



# Start your business step by step

Build your business the clever way  
by planning for success from  
the very beginning

An **ESSENTIAL BUSINESS** workbook

# This essential business workbook

has been written and designed by small business owners and experienced business mentors to help you build and grow your own business.

It has also been read and 'road-tested' by business advisers, accountants and people who are in the process of starting their own business.

We asked them to be critical about every aspect of it so that we could make it as useful and valuable to you as possible. We hope you like the result.

And we hope it helps you build a successful business.

## Our grateful thanks to:

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- **Barbara Aston** of Barbara Aston Associates
- **Fiona Shafer** of Omega Blue Consulting.

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Start Your Business Step by Step

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## For the attention of our readers

**Start Your Business Step by Step** 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.

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# Before you begin

## **Welcome to the *Start Your Business Step by Step* pack.**

At Essential Business, we know what it feels like to start and run your own small business. We have been doing it ourselves for many years. (And we still *are* doing it. From our small office in Brighton, we plan, write and publish the kind of books and guides we searched for when we started out.)

Our aim with this pack is to help you avoid the trap of rushing into a business idea without thinking about it first. It is easy to get caught up in the excitement of being your own boss, of making lots of money, of working the hours you choose...

But the business world can be unforgiving. Customers are fickle and it can be surprisingly difficult to get them to part with their money! Which is why successful business people spend time thinking and researching first. Do this *before* you invest your time and money into your business idea.

We're passionate about business. We also know that with careful thought, research and planning, your business is more likely to be an exciting, profitable and rewarding venture. Getting it right from the start can make the difference between wonderful success and disappointing (and expensive) failure. Let us help you get it right first time.

We wish you the very best of luck with your business.

Handwritten signatures in blue ink. The first signature is 'Julie' and the second is 'Jane'.

**Julie Stanford & Jane Priddis**  
**The Essential Business team**

# How to use this workbook

**This Start Your Business Step by Step pack** is designed to help you achieve two things:

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- 1** To set up your business in the way that's right for you
  - 2** To put together a practical plan so you know exactly what you're going to do and how you're going to do it.
- 

By following each step and recording your ideas, research results and thoughts on the record sheets we've provided, you will build your own business action plan.

## Why do I need to plan?

There are many good reasons for writing a plan before you start a business. Probably the main one is to prove to yourself beyond reasonable doubt that you have an idea that can be turned into a profitable business. Here are just a few other (well-researched) reasons:

- Businesses that have a plan have a better chance of survival than businesses that do not
- Businesses that have a plan are, on average, more profitable than businesses that do not
- Good planning reduces the risk in many of your business decisions
- Good planning means you are less likely to waste time and money chasing the wrong customers with products or services they do not need.

Some of the record sheets may seem very thorough. We haven't given them to you just to provide you with more work. It's because **we know that it's necessary** if you are going to be successful in your business. We don't want you to be one of those startups to whom the term *'Fail to plan and plan to fail'* applies!

## How long will it take?

There is no set timescale for completing the workbook. However, we recommend that you do not try to complete it all at once. For most people, two hours at a stretch will be enough. In any case, you will need to take breaks from filling in the sheets in order to go and find the information to include in them.

If you are completing the workbook alongside an adviser or mentor (which, for most people, is probably better than completing it alone), then your adviser or mentor may go through a section of the workbook with you, then let you complete the next section before discussing that with you, and so on.

If you are not working with an adviser or mentor, try to discuss your work with people who know you well, and with people you can trust to give you their honest views. Avoid asking people who might simply tell you what they think you want to hear.

## Do I have to complete it all?

No. You are free to leave out any sections that are not relevant to you. This is most likely to happen when you reach the 'practical day-to-day' section. For example, if you are not employing people, that information will not yet be relevant to you. However, it may be useful later on.

If you decide to leave out any sections, make sure it's because they really aren't relevant to you, not just because they are about subjects that do not interest you, or because they are difficult, or because you feel you cannot understand them. Completing those sections may help you understand the subject better, and they may not be as irrelevant to your business or as difficult as you first think.

## Can I get someone else to do some of it?

Of course. And you can always ask for some help. If you are really struggling with one section of the workbook, it may be better to consult an expert, whether this is your business adviser/mentor, an accountant, a solicitor, or someone you trust who is already running a business. It is best if you complete as much of it yourself as you can, though. Remember, this is *your* business.

You may also be able to find information from outside sources to help you complete certain sections. Some of the government agencies such as Business Link are an excellent source of information. If you are completing your workbook with a copy of **The Essential Business Guide** next to you (see page 7), you will find a whole host of valuable resources listed in that book.

## Getting the most out of Start Your Business Step by Step

This pack contains two main elements:

### 1 THE WORKBOOK

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The main text is in this **workbook**. This explains, step by step, everything you need to know in order to complete the record sheets in the back of the ring-binder. As you go through the manual, fill in the **record sheets** and file them in your binder. You'll notice that there are a number of symbols used throughout the workbook.

#### What do these symbols mean?

##### Why do this??

As you move through the book, you may wonder why we are asking you to do so much work!

The 'Why do this??' symbol appears where we (or others 'in the business' of small business) explain the thinking behind what we are asking you to do.

##### WE LIKE...

We tell you about books, websites and magazines that have impressed us and that we are happy to recommend.

##### Focus on you

Businesses are started by people. Even business angels say that they invest in the person as much as in the idea. At intervals throughout the workbook we ask you to stop for a moment and ponder the effect of your business on you, yourself – and on the people you care about. Without their support, it could be a lonely enterprise.

## 2 THE RECORD SHEETS

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The record sheets in the binder are designed to collect your thoughts, your research results and your ideas for the future of your business. They are designed to be easy to use and straightforward.

Your completed record sheets will build into a professional-looking plan that will not only help you run your business well, but will also make you proud of it from the start.

You will find extra copies of all the record sheets on our website at [www.essential-business.co.uk/step-by-step](http://www.essential-business.co.uk/step-by-step).

There are two types of record sheet available on the website:

- **PDFs** – you can download the pdfs and print them as many times as you want (you will need Adobe Acrobat Reader to open them). You can type directly on to some of the pdf sheets.
- **Spreadsheets** – some of the record sheets, such as the cash flow forecast, are available as interactive spreadsheets, with automatic calculations built into them. If you own, or have access to, Microsoft Excel, you may find it easier to use these sheets, instead of having to do all the calculations again each time you change the numbers.

You are welcome to download all the sheets for printing, and you may use any of them as frequently as you wish. This gives you the chance to be creative whilst using your record sheets and gives you the opportunity to make alterations if you change any parts of your plan as you go along. It doesn't matter if the record sheets end up looking a bit messy, packed with your ideas and thoughts – you can always rewrite or type them once you are clear about your ideas at the end. **Be creative!** Get thinking and writing.

### How should I use the pack?

There are a number of different ways you can use your pack:

- Use it simply to learn about the important decisions you need to make during the process of starting your business
- Use it take you step by step through that process
- Use it to keep a record of all the preparation and research you do
- Use it to convince the right people that you are serious about your business, and worth considering for a bank account, grant or loan.

If you want to turn this pack into a more formal business plan, you could combine it with one of the business-planning software packages we offer at a special discounted price.

#### WE LIKE...

##### > Step by Step

##### > Business Plan Pro

Planning software can help you put together a formal business plan. See our website for details and special offers on these packages.

[www.essential-business.co.uk](http://www.essential-business.co.uk)

## A word about The Essential Business Guide



You may find it simpler to complete your plan if you have a copy of **The Essential Business Guide** as a reference to help you as you work your way through all the record sheets. The Guide is full of information on a whole host of subjects, far more than could be included in this workbook. (If you don't own a copy of the Guide, use the voucher at the front of the ringbinder to claim the special £10 discount for **Step by Step** readers.)

The reason **The Essential Business Guide** will make your task easier is that you will be able refer to the Guide to find out more information on each subject. You will also have access to the many additional resources (websites, books, organisations) that are listed in the Guide. These can provide you with more in-depth information to help you complete your plan.

Although we were able to reproduce some of the key information from the Guide in this pack, there just wasn't enough space to include all of it.

# Deciding what sort of business to start

**You have decided that you are going to take the plunge** and start your business, so... what next? If you have not yet made a firm decision about the sort of business you will start, now is the time to give it some thought. You can always adjust your decision later. If you know what you want to do, you can move straight to **Step 2** on page 10.

## Step 1 What are you going to do?

### Why do this??

Starting a business to do what you've always done at work might just swap one set of problems for more of the same.

Self-employed people have many different motives for starting a business: being in control, being unable to find a job, enjoying the cut-throat nature of competition, or enjoying some particular aspect of business. You may already have noticed a gap in the market for a new product or service, and your whole focus may be on filling that gap. This is the mark of a true entrepreneur. For you, the excitement of making your vision a reality is what you love about starting and running your own business.

Many people set up businesses doing exactly the same as they did in the job they have left. This is fine as long as you loved your work before, but it's worth thinking hard about whether this is right for you before you start.

It may be that what you really, really like doing is not something you can imagine turning into a business. But with some creative thinking and plenty of marketing research, maybe it is.

### Focus on you

Don't just set up a business to do exactly the same as you did in your employed job without thinking hard about whether it is what you *really* want to do.

A word of caution here, though. Some people find that they lose much of their enjoyment of their hobby when they start working at it for a living.

**For example**, if you work in an office and love making systems run more efficiently, perhaps you could set up a business consultancy, advising other companies. Or you may have been producing something as a hobby and find that so many people are buying it from you that you now have a long waiting list of customers.

## Deciding what sort of business to start

If you cannot think of any way to turn something you love doing into a business, or if your initial research shows you that the idea you have will not make you enough money to be worthwhile, consider carefully whether you should pursue this as a business idea.

Spend some time thinking through other business ideas you may have. When you are certain you have the *right* business idea, proceed to **Step 2**.

### Step 2 What do you want from your business?

How do you want your business to change your life over each of the next five years?

You might want to make a million in five years, or return to the country in ten years, or you may just want to run something that works around school hours and supplements your household income.

You might want to run your business until you retire (or even pass it on to the next generation) or you might want to buy up a business that can be sold in a few years. What is important to you?

Think about how you want your business to have changed your life in five years' time. Then fill in **Sheet 1 > What do you want your business to give you?** What do you think needs to happen in each of the five years for your dream to be achieved?

Your answers on **Sheet 1** should be things that are measurable (for example: earning £50,000 a year, seeing your children at bedtime at least four times a week), so that you can check back afterwards to see whether you achieved your aims.

**One handy tip:** It is much better to start with Year 5 and work back from there. If you think about where you want to be in five years' time, you can plan each of the years between now and then as steps towards reaching that point. That's why we've set **Sheet 1** out the way we have! Do not try to put too much detail in Year 5, and not much more in Year 4. Your plans for Years 1, 2 and 3 will have more detail in them, but still not too much – this is only meant as an outline.

#### WE LIKE...

##### Authentic Business

by Neil Crofts

This book shows that it is possible to start a successful business without compromising your values.

#### Why do this??

If you start by planning Year 1 and then plan forwards, there is a danger that you will just be doing more of the same in five years' time, rather than turning your dreams into reality.

**WE LIKE...****The Franchise Alliance**

[www.whichfranchise.com/tfa](http://www.whichfranchise.com/tfa)

A group of 10 leading franchisors who aim to raise the profile of the franchise industry by running a series of free educational seminars.

**Step 3 How will you set up your business?**

Should you start your own business from scratch? Buy someone else's business? Buy a franchise?

**Starting your own business** gives you the freedom to develop your own idea into a business. If you have a good, original idea, and plenty of research to prove to yourself that it is going to work, perhaps starting a business from scratch is the option for you.

If you have a business idea and a friend or acquaintance that you're keen to work with, then you might consider **setting up in partnership**. The advantage here is that you can combine forces and money to do more than you might be able to on your own. But going into partnership with someone can be like getting married. You need to be very open and honest with any potential business partner – working through this workbook together can be an excellent way of doing this.

Maybe you've seen something that works in another town, or in another country, and you've thought "I could do that!" Some great businesses have come from copying someone else's ideas. **Setting up a similar business** and doing it your own way could be for you. Just be careful that you don't just copy exactly the same as someone else. You could be infringing the legal rights, or missing an opportunity to do it better.

**Buying someone else's business** can give you an existing customer base, and some proof that there is a market for what you will be doing. If you have enough money to buy an existing business, and prefer not to take the risk of starting something completely new, perhaps this option would work for you.

Sometimes you get the opportunity to join someone else in a business that's already up and running. **Buying into someone's existing business** can be great because you know whether or not something is working already, and you might be able to add that certain something that the business needs to take off.

**Buying a franchise** has the advantage of giving you a ready-made brand name, and a certain amount of support. If you have some capital and want to start a business, but are short of original business ideas, perhaps you should choose the option of franchising.

Use **Sheet 2 > How to start your business** to work out the best way to start your business.

## Deciding what sort of business to start

Use the information on page 11 and the guideline grid on **Sheet 2** as a starting point. Think about how each of the business forms described, fits with your own situation. Use **Sheet 2** to describe the business format you have chosen, and why this format is likely to work best.

It may be worthwhile talking to your accountant or another qualified professional to find out what form of business is appropriate for you. Making the right decision now could save you money in the long term.

If the boxes you have ticked in the blank box on **Sheet 2** mostly correspond to one of the forms of business below, this may help you decide the type of business that suits you. Don't let this exercise restrict you, though. It is only a rough and ready guide. The important thing is that you think about the options and choose the one that is right for you.

See also page 55 for more on funding your business.

## Decide your form of business

If you opt to start your business from scratch, you will need to consider which form of business is right for you.

### Sole trader

People who work on their own, such as plumbers and consultants, often set up as a sole trader, which simply means that they are a self-employed person working alone. While this is the simplest and quickest way of setting up a business, many small businesses nowadays set up as limited companies from the start. This is because they can make significant savings on their tax bills and National Insurance contributions, even when their profits are relatively low (see page 61 for further information).

### Advantages

- Easy to set up
- You get to keep all the profits after tax
- Financial record keeping is usually simple
- You keep your independence.

### Disadvantages

- If something goes wrong and the business has debts, you are personally responsible for them
- Lack of support – everything is down to you
- It may be more difficult to raise capital to finance the business
- It is harder to sell the business or to pass it on.

### WE LIKE...

#### Prince's Trust

[www.princes-trust.org.uk](http://www.princes-trust.org.uk)

Provides help for young people aged between 18 and 30

#### PRIME Initiative

[www.primeinitiative.org.uk](http://www.primeinitiative.org.uk)

Provides help for people over 50 to start their own business