



**Enterprise
Nation**



MY STARTUP PLAN

The business plan toolkit



**CLARE GRIFFITHS
BRAD CRESCENZO**



My Start-Up Plan

The business plan toolkit

By
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Brad Crescenzo



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Chapter 1

Introduction

An Introduction to My Start-Up Plan

Once you have come up with an idea for a business or a social enterprise, one of the biggest challenges that you face is getting your ideas down on paper. Whilst your ideas may seem clear in your head, they can become fuzzier when you try and explain them to other people. This book and visual planning tool has been designed to help you overcome this problem by purposefully breaking down your ideas into **nine** areas.

These areas are: **Vision, Products and Services, Benefits and Impact, Customers and Competitors, Marketing Activities, External Environment, Operations and Risks, Me and My Team, Costs and Income.**

Each area is then approached with a series of short questions which aim to help you develop your ideas and capture your thoughts on paper.

With the aid of this book we would like you to develop SMART(F) thinking, so that when you are making plans for you and your business you set goals which are specific (S), measurable (M), achievable (A), realistic (R), time-bound (T), but also flexible (F) when required.

We would also like your thinking to become focused and simple. Steve Jobs, the late co-founder, chairman and CEO of Apple Inc., once said:

“Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”

Ultimately, we would like to equip you with the tools and confidence to write an effective, dynamic plan for your business. Being big believers in accessible education for entrepreneurs, we have made every attempt to avoid business jargon and to keep the text as concise and direct as possible. Anyone considering starting their own business should be able to benefit from this book.

How to Use My Start-Up Plan

It is up to you how you use this book and its visual-planning tool. You could read the book from beginning to end and then start to work on exploring your ideas. Or you could dip in and out of the book and answer the prompting questions as you go along. It’s up to you.

Once you have written answers to each of the questions in all nine sections, you will have a complete and comprehensive business plan. Remember that a business plan is for *you* – it is a working document that not only helps you to develop and communicate your ideas with potential funders and other relevant stakeholders, but also enables you to monitor the progress and performance of your business once you are up and running. So you should be sure to answer the questions – and write your plan – in a style that suits you.

Some of the people who have used *My Start-Up Plan* in the past have taken advantage of the visual-planning tool to capture their ideas by writing down notes, drawing mind maps, making lists or drawing images with information responding to each of the tool’s nine areas. Others have preferred to write responses to the book’s questions on sticky notes and then stuck those to the relevant areas

of the visual-planning grid. Some users have been happy to write down their ideas directly onto our accompanying business plan template. (As a purchaser of this book you can download our business planning template from www.enterprisenation.com/startupplan. Navigate to the Appendix for your exclusive download code.)

The book, visual-planning tool and business plan template can be used flexibly in any number of ways. There is no ‘right’ way – only the way that works best for you.

As well as answering the questions for each section, it may be useful if you write down things you’ll need to do for your business as they crop up through the process. This could either form a simple ‘to do’ list or you could record the tasks on a timeline. You may even wish to develop a more formal action plan, incorporating your key goals and objectives.

The Story Behind My Start-Up Plan

My Start-Up Plan has been developed by two business support practitioners (Clare Griffiths and Brad Crescenzo – that’s us, hello!) who work at the University of Brighton.

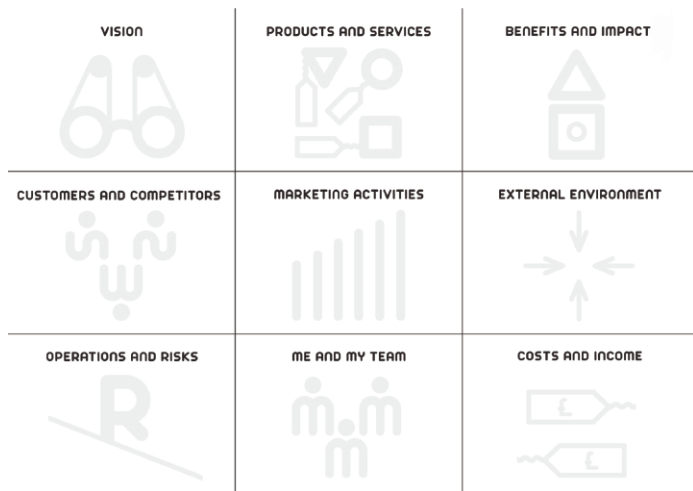
We are responsible for the management, delivery and operations of the extra-curricular entrepreneurship programme (called beepurple) aimed at the university’s students, graduates and staff. The aims of the programme are to develop the enterprise skills and entrepreneurial ideas of the university community via enterprise workshops, entrepreneurship master classes and one-to-one business support.

During time spent delivering entrepreneurship education at the university and beyond, we identified a need for a user-centred, accessible tool that not only helped practitioners to teach their clients about the business-planning process and its importance, but also acted as a practical guide for those who wanted to get their ideas down on paper and write their first business plan themselves.

My Start-Up Plan

In response to this need, we applied for a grant from the Higher Education Entrepreneurship Group (www.heeg.org.uk) to invest some time in researching what such a toolkit might look like and whether anything like it was already out there. We assessed over 40 business plan templates, resources and books but found nothing that had the combination of content and usability we were looking for. So, in the end, we took up our keyboards and developed *My Start-Up Plan* ourselves.

My Start-Up Plan is suitable for anyone who wants to get their ideas down on paper and then turn them into reality. It is also useful for those who have already started a business but never embarked on writing a business plan when they first set up their business.



Chapter 2

Vision



VISION

Take a moment to think about your future and the future of your business. What do you imagine this to be – over, say, the next three to five years?

It does not matter how far into the future you look. It is entirely up to you; be as ambitious as you want. Do not be afraid to think big! Your initial vision may seem far-fetched at the moment, but it will help you to identify key stepping stones to aim for throughout the process of setting up and running your own business.

Whatever your vision is, try to make it as *detailed* as possible. The clearer the picture you have, the easier it will be to work out what you need to do to realise that vision.

Once you are happy with your vision, do not let go of it. Keep this image in your mind's eye. It will motivate you to persevere and

progress with your business; it will remind you of what you want to achieve.

Your vision is personal and depends entirely on what you want to get out of your business. If there are two or more of you who are starting up a business together, it is important for both of you to discuss your individual visions. You need to understand each other's reasons for going into business, as well as the goals you each hope to achieve.

Imagine your business in the future. What does it look like?

In the future, I imagine . . .

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When thinking about your vision, it is useful to consider *why* you want to go into business in the first place. Your reasons for starting your own business can help motivate you once you are up and running. They can also serve as a checklist later on, to make sure your business is taking you where you wanted it to.

So, are you starting your own business because you want to be your own boss? Or because you want to put your skills and passion to good use? Are you motivated by the money you could make? Or do you want to make a difference to a particular community or cause?

Whatever your reasons, record them now. You may have lots of different reasons for starting your own business. Do not be afraid to write them all down.

Why do you want to run your own business?

I would like to run my own business because . . .

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Whilst you are developing a picture of your future, it is likely that you will think about the success you hope to achieve as well as the reputation you hope to build for your business.

How do you want your customers to regard you? In order to gain a good reputation you will need to meet your customers' needs successfully. At this stage it is also useful to consider more broadly what values and characteristics you want your business to reflect in the eyes of your future customers.

Once you have worked out how you want to be thought of by your customers, you will have taken your first steps towards creating a brand for your business. After you have started trading, remember to refer back to these values and characteristics from time to time. That way you can make sure that everything you do generates the image you originally intended.

Which values and characteristics would you like your business to reflect?

I would like my business to . . .

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By now you should have a clear picture in your head of what your business will look like in the future. You will have also thought about how you would like your business to be regarded by your

customers. Now you have a long-term vision for your business, it is worth thinking about what you intend to do as a business in the short- to medium-term.

You can refer to this proposition as your *mission*. The simplest way to work out your mission is to write a brief overview of your business. Who are you and what do you intend to deliver?

Trying to work this out can prove to be more challenging than it sounds. However, once you have invested some time in developing a description which you are happy with it is then easier for you to work out what you have to do next to deliver your offering. It is also a handy statement to use when you are talking to other people about your business.

Describe your business in one sentence

My business is . . .

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So that you can actually fulfil your business vision, you need to set specific *aims* for your business. Think of these aims as milestones. They will help guide you along the journey of setting up and running your own business.

To start off with, it is worth writing down your aims for your first three years of trading. When you work out these aims, try to make them measurable; you'll need to know when you have reached them. For example, if one of your aims is to grow your customer base, then specify the number of customers you would like to achieve within a certain time period – e.g. “My aim is to have 50 new customers within the next six months”.

After you have developed a set of aims which you feel are realistic, keep them to hand. Once you are trading, you can use them as a reference point to check the progress of your business.

What realistic aims can you set for your business to fulfil your mission?

My aims are . . .

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After working out a set of realistic aims for the first three years of trading, the next step is to think about all the different tasks you will need to carry out to achieve those aims. These various tasks are your *objectives*.

On a practical level, consider these objectives as your 'to do' list. Once you have identified all the objectives which relate to each of your aims, you should have a clear idea of what you need to do in order to meet your aims and mission.

Whilst your aims and objectives may change over time depending on how your business develops, it is essential that you have an understanding of what you need to do at this stage to move your business forward. Once you are up and running, it is important that you dedicate some time on a regular basis to review your business aims and objectives. Make sure to change them as and when appropriate.

What specific objectives can you set to achieve your aims?

Things I will need to do to achieve my aims are . . .

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Summary

Having worked through all the questions in this chapter, you should now have a clear vision of the future of your business, as well as some realistic aims and objectives to help you fulfil it. Whilst you can consider your vision to be your ambitious long-term goal, your aims and objectives are the key steps you need to take – starting today – to get there.

Most people just want to get on with setting up their business. They keep their head down in an attempt to progress quickly. Be careful that you do not fall into this trap. Keep your head *up*: don't be afraid to spend time thinking about the future of your business. This helps you work out exactly what you need to do in order to move your business forward.

The more you are able to visualise your future business, the better!

If you intend to write a formal business plan, the information from this chapter can be included in the *Vision* section of your plan.

Chapter 3

Products and Services



PRODUCTS AND SERVICES

By this stage you will have an idea of what you intend to sell. Now it's time to think about your business offering in more detail. You need to explore exactly what products and services you want to develop for your customers.

When you are working out your business offering, it is useful for you to ask yourself open-ended questions such as “who?”, “what?”, “where?”, “why?”, “how?”, “when?”. This type of questioning can encourage you to develop your ideas further, and will help you to better understand your products and services.

Whilst the question below may seem straightforward, it is an important question to ask yourself. Only once you have determined *what* you intend to sell, and the reasons *why* you have decided on those particular products and services, can you then start to communicate clearly about your business.

What specific products and/or services will your business sell and why?

My business will sell . . .

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.....

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because . . .

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It is never too early to think about the future of your business. Whilst some ideas for new products and services will only come once you are up and running and have a greater understanding of your customers' needs, you may already be able to think about products and services which can be sold some way down the line.

If you do not yet have any ideas for such future products, a simple way to generate ideas is to think about what *existing* products and services you could offer to *new* groups of customers, as well as what new products and services you could offer to existing customers. And then there are entirely new products for both groups.

What other products and/or services could your business develop and offer in the future?

In the future, my business could develop and offer . . .

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Customer service is often underestimated by businesses. Neglecting it, however, sends a message to your customers that you take them for granted. Do not ever fall into that trap. Consider customer service as an extended part of your products or services. Remember that customers can be your best sales team. It is important to treat them well.

When thinking about your customer service, consider how the customer experiences your business – from their point of view. What would make their experience better? Offering a high quality customer service does not have to be costly. Often, it can be the little touches that count.

Great customer service can help you differentiate yourself from your competitors. So, it is worth spending some time thinking about what you could do to ensure your customers have an enjoyable experience buying and using your products and services.

What customer service will your business provide?

My business will provide . . .

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.

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At this stage, you should have a better idea about what your products and services are. Whatever you intend to sell, it is worth spending some time thinking about how you can protect your products and services so that you can stop your competitors from copying you. Consider the products and services which you have developed (also known as your intellectual property) as assets which you can protect.

There are many different ways in which you can protect your intellectual property. It really depends on what your products and services are.

Intellectual property protection includes, but is not limited to copyright, registered and unregistered trademarks, registered and unregistered design rights, and patents. The Intellectual Property Office (www.ipo.gov.uk) is the UK's official government body responsible for granting intellectual property rights. It's a good idea to visit their informative website before deciding how you can best protect your own intellectual property.

Remember that if the costs of protecting your ideas are too high, or being the first to market is important for your business, then you could alternatively keep your design, formulae or methods a trade secret – like Coca-Cola has done with its recipe.

In terms of intellectual property protection, what measures can you take to deter competitors from copying you?

I will protect my business by . . .

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Summary

Some people may be tempted to jump the step we've gone through in this chapter. They may not see the value of time spent thinking through the details of their products and services. But do not underestimate the importance of developing your ideas.

If you do not have a clear idea about what you are selling, then you will not be able to communicate your offering effectively to your customers. Once you have worked out what you intend to sell, you are able to take the next step and identify how your products and services benefit your customers. You will also be able to pinpoint

what makes you unique in comparison to your competitors. This is the beginning of successfully finding a market for your offerings. Information you gather from this chapter should go into the *Vision* section of your business plan template.

Chapter 4

Benefits and Impact



BENEFITS AND IMPACT

If you have done your research thoroughly, you should know what your potential customers need and have taken steps to develop products and services that can make their lives better in some way. At this point, it is helpful to think about your offerings in terms of their *characteristics* (often referred to as ‘features’) as well as the *benefits* they offer your customers. This exercise is known as a *features and benefits analysis*. It is the beginning of successful marketing. It is also the foundation of product development – making sure that over time your offerings remain as appealing as possible.

Working out the benefits of your products and services is important principally because people buy benefits not features. You need to sell your products on that basis. For example, have you ever been in a computer shop and the salesperson has spurted out the specifications of the machine by saying something like “this laptop has a NVIDIA GeForce GTX 260 graphics card with a GT200 chip containing 1.4 billion transistors”? Would it not be

more understandable and attractive if the salesperson just offered you a laptop, saying “this laptop comes with a pre-installed graphics card that has been manufactured by the brand leader to ensure smooth, high quality visuals on your laptop”?

How will your products and services benefit your customers and/or end users?

My products and services will benefit my customers and/or end users by . . .

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You do not have to be selling something completely new in order to set up your own business. In fact, it is most likely that there will be other businesses out there doing whatever you decide to do (or something fairly similar). This should not be a problem as long as you know what makes you and your offerings unique: this is what will help you explain to your customers why they should pick you over your competitors.

The easiest way to work out what makes your offerings unique is to compare the benefits provided by your products to those provided by the products of your competitors. Where do you match them and where do you exceed them? Where do you do something they don't even think about?

Start by writing down a list of your competitors' benefits, beginning with three of your closest competitors. Then start looking carefully at your own products.

Remember that you may have different customer target groups, as well as various other consumers or end users. Therefore, you may have more than one unique selling point – possibly one for each group.

What makes your products and/or services unique?

My products and/or services are unique because . . .

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Businesses do not operate in a vacuum: it is important to consider how your business affects the community in which it operates as well as the environment.

There are a number of ways in which you could have a positive impact on the local community. For example, you could source employees from the local area, or work with nearby colleges to offer short-term work placements to their students. If you are running a profit-making venture, you may wish to donate some of your profits to a local charity or community group, or participate in some of their fundraising activities. Try to think creatively about how your business could have a positive impact on the community wherever you are based.

It is also important that you consider how your business could have a positive impact on the environment. As well as the ethical reasons for this, it can also benefit your brand and reputation and help you to make the most efficient use of local resources.

What positive impact could your business have on the local community and/or environment?

My business . . .

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My Start-Up Plan

Your business may have an unintentional negative impact on your local community or the environment. This could be caused by any number of things. The premises which you occupy, or the signage which you use, may cause grievances within the community where you are based. The choice of materials you use and the means by which you dispose of waste could have an impact on the environment.

Before you can start considering what steps you can take to reduce or remove such adverse effects, you must first be aware of the potential ones out there.

What negative impact could your business have on the local community and/or environment?

My business . . .

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You will be looked upon favourably among employees, customers and the local community if you are able to show ways in which you have attempted to address any negative impact you have on the local community and environment. So whilst you are in the process of starting up, it is worth taking some time to think about how you can diminish any negative effects your business may create. That way, you can put into place appropriate practices or systems which contain or reduce any negative impact right from the off.

How can your business reduce or remove any negative impact it has on the local community and/or environment?

My business . . .

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Summary

Newton's third law of motion states "To every action there is always an equal and opposite reaction". Your business will affect the general public. As the owner, it is up to you to make sure that as much of this as possible is positive. If you know you will be causing some negative impact, for any reason, think about the remedial action you can take to improve the public's perception of your business; and build in ways to continually reduce or remove any negative impact altogether.

Customer needs will inevitably change over time, and therefore you should check regularly that your products and services offer your customers the benefits that they seek. It may be necessary for you to enhance or improve your business offering in order to give your customers the benefits that they want. By doing so, you will be able to enhance your reputation in the marketplace and stay ahead of competitors.

If you are using the accompanying business plan template, information from this section will go into your *Vision* and *Opportunity Analysis* sections.

Chapter 5

Customers and Competitors



CUSTOMERS AND COMPETITORS

When you are working on your business idea, it is important that you explore who your customers are going to be. The more information you can build up about your target market whilst you are developing your products and services, the better your final offering will be. This is because your products and services should meet the needs of your customers. Therefore, whilst you are in the process of starting your business, try to develop a clear picture about your potential customers as early on as possible. Put simply, you should work out who they are, what they need, where they are, and how many there are.

It is very likely that you will have more than one target customer group. If this is the case, you should consider all these customer target groups separately; work out the needs of each target group in turn. All the information which you find out about your customers will not only help you when you are refining your

products and services, but will also help you when you are developing a marketing plan.

Who exactly are your customers and what are their needs?

My customers are . . .

They need . . .

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Now that you have an idea of who makes up your market, the next step is to work out how many customers within that market you can acquire. If you are not yet selling anything, it may prove difficult for you to predict how many customers you can attract. However, it is useful to have a rough estimate so that you can gauge whether your business idea is viable.

One way to work out how many customers you can generate is by first calculating how many customers are in the total market.

For example, if you plan to sell a product aimed specifically at young women, aged between 18 and 25 years, then you need to find out how many young women of that age there are in the region where you intend to do business.

The second step is to calculate what percentage of that total market size you think will become aware of your products.

The third step is to work out what percentage of those women may then decide want to actually buy from you.

The final step is to then work out how many of those women you think will *actually* eventually buy your products and services.

In the example below, you can see the potential number of customers decreasing from 450,000 to 203. Only once you are up and running will you be able to gain a realistic idea of how big

your potential market is. However, in the meantime, this exercise is a useful step towards working out the total number of customers your business can possibly acquire.

It is up to you to decide over what time period you will acquire these customers. It can be useful to work out calculations for your first three years of trading.

TOTAL MARKET SIZE	100%	450,000
AWARE	3%	13,500
INTEREST	30%	4050
DESIRE	25%	1013
ACHIEVE	20%	203

How many potential customers can your business realistically attract? How will this number change over time?

The potential number of customers my business can realistically attract is . . .

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Over time, this number will . . .

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Before you start selling, it is essential that you carry out some market research to find out what potential customers think of your products and services. There are a variety of ways in which you can do this. You could either talk to your potential customers directly by carrying out a survey (face-to-face or online), by hosting a focus group, or by asking them to try out your products and services at a reduced price.

It is also important that you talk to professionals familiar with your area of work who can offer you critical feedback. Whilst it can be motivating getting advice from friends and family, the most helpful feedback you will gain is that which is objective, from individuals who are familiar with your profession and the markets in which you intend to operate. A mentor, business support practitioner, or someone who works in your industry are some of the people who can give you the reality check you may need.

You can also carry out some desk-based research to find out more about your target market, by searching the internet for relevant statistics about the size of your market as well as for research reports published by governmental bodies and private companies. It is also worth reading relevant newspapers and magazines to gain an up-to-date understanding of the market, your customer groups, and possible trends that may affect your customers' buying decisions. Whilst it is essential that you find out as much data as you can about your market before you start up, it is equally important that you stay informed about developments within your sector, and continually talk to your customers once you are up and running. This way you will be prepared to respond to any market-led changes and will be in a better position to develop your business offering accordingly.

What evidence do you have that customers will buy from you?

I have . . .

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Do not fall into a common trap and think your business is so unique that you do not have any competitors! Every business will have both direct and indirect competitors. (If you have invented a new product, you may not have any *direct* competitors, but will undoubtedly have indirect competitors.)

Direct competitors are businesses which offer a similar product or service as your business. Indirect competitors are those which offer different products or services to yours, but are selling them to the same target group of customers as you and at a similar price. Ultimately, they are trying to meet the same customer needs as you are. For example, if you decide to manufacture crisps, you would not only be competing with large, well-known crisp brands, but would also be up against a range of companies who sell chocolates, nuts, healthy snacks and fruit.

When you are exploring who your competitors are, do not just concentrate on one geographical area. Use the internet in your search to look for competitors beyond your region, who operate nationally and are willing to cater to their customers' needs wherever their customers are.

By finding out who your competitors are, you gain a better understanding of what makes your business unique, and can communicate how you differ from your competitors more effectively.

Who are your competitors? Where are they?

My competitors are . . .

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Once you are up and running, you should try and keep informed

about your competitors' business developments. This will give you an idea of their overall strategy for growth, and may inspire you to innovate. Many people think that innovation is only relevant to inventors or high-growth companies that have their own research and development departments. This is a mistake. Innovation is relevant to *every* business, and is an effective way for businesses to stay ahead of their competition. Put simply, innovation is about having ideas and turning them into reality. It is about doing things differently whilst creating positive impact for your business or community.

There are a number of ways in which businesses can innovate and become more competitive. You can:

- develop new products and services and create new user experiences for your customers

- develop new methods for doing things (by introducing new processes within the business, or new forms of customer service, for example)

- adapt your business model to generate new streams of income

- experiment with the make-up of your team either by introducing new members, swapping roles or engaging with customers to stimulate new ideas

- partner with other businesses or organisations to develop collaborative projects or schemes

- adopt technology to further enhance your existing products, services, and customer service.

When you are in the process of starting up, you may not know how you will innovate in the future in order to maintain a competitive edge. If that is the case, a possible starting point is to look at how your competitors are developing their businesses, and see if that prompts any ideas. It can also be very useful looking at what similar businesses are doing in other countries. Wherever you get your inspiration from, make sure that you allow time for innovating – on a regular basis – once you have started trading.

What can your business do to stay ahead of its competitors?

My business can . . .

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Summary

This chapter prompts you to analyse your market niche. Once you have answered its questions, you should have a clearer understanding of who your customers and competitors are.

Do not assume anything about your customers and their needs. Talk to them directly to find out exactly what they want, what they are dissatisfied with, and how your products and services can best benefit them. It is equally important that you consider who your competitors are. This way, you can make sure that you are not duplicating any products and services already in the marketplace, and you will be more confident that what you have developed is unique. Analysing your market niche is not a one-off exercise. Make sure you allow time to revisit these questions once you are trading in order to innovate effectively.

For those writing a formal business plan, the information you gather from chapter will go into the *Vision, Opportunity Analysis*, and *Marketing* sections of your plan.

Chapter 6

Marketing Activities



MARKETING ACTIVITIES

In Chapter 3 ('Products and Services') you developed a clear business offering for your customers. In Chapter 4 ('Benefits and Impact') you identified the benefits and unique selling points of your products and services. You know who your customers are and what they need. You have also determined what values and characteristics you want your business to reflect. The challenge now is to identify some key marketing messages that capture all of the above – **the benefits** and **unique selling points** of your products and services, as well as the **values** of your business.

Your marketing messages should be easy to understand and concise. Ideally, your customers should be able to remember them, so that they can promote your business to their own network of contacts and act as your sales team. Essentially, you need to educate your target market, letting them know that you can offer them what they really need at a price which they can afford.

To start off, try and think of three or four key marketing messages.

Think about what your customers need; write down how you can respond to those needs. Remember to highlight the benefits and unique selling points of your products and services. Once you have decided what your key messages are it is imperative that you are consistent: use the same messages throughout your marketing campaigns.

What are the key marketing messages which you can use in your marketing activities?

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What's in a name? Think of businesses and brands that you like – whether because you perceive them to create useful and reliable products, provide excellent customer service, or represent a certain lifestyle you are striving towards. What are the names of these companies and brands? Do those names represent what their business stands for?

For example, PayPal is a “does-what-it-says-on-the-tin” kind of name. If you asked ten people to guess what PayPal is, the majority of those people would probably be right. PayPal's two-syllable structure also makes it a memorable name, like other big brands such as eBay, Google, Twitter and Facebook.

Now think of your own venture. Is there any way you can distil the whole essence of your business into one name that reflects your values or core function?

What is the name of your business?

What does this name reflect?

The name of my business is . . .

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The name reflects . . .

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Consider following up with some potential customers or people who have already seen your website or used your products or services. Ask them what they think you stand for. Does your business name reflect what you intended it to? If people have misunderstood what you were trying to promote, consider adjusting or changing your business name and key messages.

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So, you have identified some key messages, and you have a name, but how are people going to know that you have started trading? You are going to have to tell them! There are a number of ways in which you can promote your business. They include – but are not limited to – the following:

Advertising	LinkedIn profile
Billboards/posters	Loyalty cards
Brochures	Market stalls
Business cards	Networking events
Business listings (on and offline)	Online shops
Catalogues	Passing trade/footfall
Cold calling	Portfolios
Competitions	Public relations
Direct mail	Referral systems
Distributors/agents	Sales representatives
Email campaigns	Signage
Email newsletters	Sponsorships
Social media	Telemarketing
Flyers	Trade fairs/exhibition stands
Free samples/testers/tasters	YouTube videos
Internet/webpages/blogs/links	Window displays
Licensees/franchisees	Word of mouth

Consider your target market. Think about where they like to shop, what they like to read, the different types of media they engage with. For example, if you provide a service within a local area, you could advertise in your local newspaper or events guide. If you are selling directly to other businesses, then you may find it useful to attend networking events in the local business community to raise your profile.

Try to use a variety of marketing activities to reach out to your potential customers. Ideally you should develop a mixture of offline and online activities. Some people recommend that you aim to develop at least seven different marketing activities. You should also think about the timing of your campaigns. You may wish to carry out some activities at specific times of the year or before key events. Whatever you decide to do, remember that you should not only use your marketing activities to recruit new customers, but also to communicate with your existing customers.

When you are planning your marketing activities, consider who is going to be responsible for carrying out these activities. If you are working on your own, think about whether you need anyone else to help you. If you are in a team, you may want to share out the activities, matching them to your team member's skillsets. Someone may be more suitable for leading on a social media campaign, whilst another member of the team may be more comfortable representing the company at a trade fair. Whoever you decide to use for your marketing activities, remember that they are representatives of the company and should therefore reflect the values and attitudes which you want your business to impart.

What marketing activities will your business carry out to reach specific customers?

My business will . . .

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When will your business carry out these marketing activities?

My business will . . .

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Who will be responsible for carrying out these marketing activities?

The people responsible for these activities are . . .

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Undoubtedly you will have other businesses competing with you and striving to attract the attention of your customers. It is important that you try to differentiate yourself from those competitors by being creative. You could make a video about your business or film some of your customers talking about your products and services. You could offer potential customers a trial period or send existing customers a free gift. Alternatively, you may wish to put in place some unusual processes and adopt a personalised customer service.

We live and work in a crowded and competitive marketplace. It is essential to think about different, innovative ways in which you can grab the attention of new customers or remind your existing customers that you are still there for them.

What unique or attention-seeking activities could your business try in order to stand out in the marketplace?

My business could . . .

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The cost of marketing activities can soon add up, so you need to think carefully about what you want to do. Something which may initially seem affordable may incur other costs. For example, if you want to advertise in a local paper or magazine, you may need to pay for illustration or graphic design work before advertising. If you want to carry out an email marketing campaign, you may have to buy contact details from a business database company.

If you have not already done so, carry out some research into the costs involved for different marketing activities. Then decide which of those offer you the best value without compromising on results.

How much will your marketing activities cost?

It will cost . . .

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Summary

Hopefully by now you have developed a strong identity for your business and have a good plan for how you are going to start making people aware that your business exists. You should have a clear idea who your customers are and what their needs are. You should also be able to communicate the benefits of your products and services, highlighting those that make you unique.

You should have been able to generate a number of ideas for marketing activities. Whichever marketing activities you decide to pursue, it is important that you monitor the efficacy of those activities. When a new customer contacts you, make sure you ask them how they found out about you. That way you can reduce or stop any marketing activities which are futile.

It is worth investing some of your time to develop a marketing plan to help you manage and focus your efforts. A good marketing plan arises out of four key questions:

The market – Who will you be targeting?

The messages – What will you say to them?

The marketing channels – How will you say it?

The timing – When will you communicate your messages to your market?

If you are using the accompanying business plan template, the information from this chapter will can go into the *Marketing* section of the document, and can serve as your marketing plan.

Chapter 7

External Environment



EXTERNAL ENVIRONMENT

The way a country is governed will have a direct effect on your business. For example, a government may want to encourage innovation and growth in particular industries, or it may want to implement certain tax policies. The government will also determine the extent of support provided to aspiring entrepreneurs and established businesses. The work of the government is far-reaching, and its budget allocation on public services can impact on national health and social services provision, as well as the education of the current and future workforce.

Which political factors are most likely to change? Which of these will have greatest impact on your business? Do they represent opportunities or threats to you and your business?

Political factors such as . . .

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What can you do to prepare or respond to these potential changing factors?

I can . . .

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The economic climate can impact on business operations and decision-making. Economic factors include changes to taxation, interest rates, international trade agreements, exchange rates, inflation rates and the overall growth of the economy. Changes to taxation can affect the amount of profit a business generates, and interest rates may determine how much a business may wish to borrow or save. International trade agreements can affect which countries a business can trade with, and the exchange rates can influence to what extent a business trades internationally. Shifts in inflation rates and the overall state of the economy will undoubtedly shape the economic wellbeing of a workforce, as well as their pay-related demands.

Which economic factors are most likely to change? Which of these will have greatest impact on your business? Do they represent opportunities or threats to you and your business?

Economic factors such as . . .

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What can you do to prepare or respond to these potential changing factors?

I can . . .

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Social trends and changes to the demographic profile of a country's population can impact on businesses as consumer target markets may expand or decline and consumer behaviour may alter. Shifting social factors will vary between countries. However, they could include any of the following: more health-conscious consumers, more consumers concerned with ethical trading, greater cultural and religious influences on consumer behaviour, ageing populations, a rise or fall in immigration levels, and overall population growth. Some of these social factors will be opportunities for your business, as they may present new markets for your products and services. However, the opposite effect could also occur, whereby certain markets start to decline.

Which social factors are most likely to change? Which of these will have greatest impact on your business? Do they represent opportunities or threats to you and your business?

Social factors such as . . .

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What can you do to prepare or respond to these potential changing factors?

I can . . .

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Technology is playing an increasingly dominant role in our social and professional lives, and it will undoubtedly continue to impact on what businesses create and how they do things. Technology has benefited businesses in many ways, helping to reduce labour costs and improve efficiency, effectiveness and profitability. Whether you are a technophile or a technophobe, you and your business will have to be prepared to embrace future technological developments if you wish to keep up with your competitors.

Which technological factors are most likely to change? Which of these will have greatest impact on your business? Do they represent opportunities or threats to you and your business?

Technological factors such as . . .

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What can you do to prepare or respond to these potential changing factors?

I can . . .

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Legal factors such as changes to legislation affect all businesses, and in particular, the way they act or behave towards their employees, customers, suppliers and distributors. They can influence how a business operates, and this in turn can impinge on a company's profitability. Changes to the law can also directly impact on markets, as customers may be encouraged or discouraged to buy certain products or services. The different types of law which relate to business operations include – but are not limited to – the following: employment law, health and safety law, discrimination law, consumer law, intellectual property law, competition law, and environmental law.

**Which legal factors are most likely to change?
Which of these will have greatest impact on your
business? Do they represent opportunities or
threats to you and your business?**

Legal factors such as . . .

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**What can you do to prepare or respond to these
potential changing factors?**

I can . . .

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Environmental factors, such as climate change and global warming, can particularly affect businesses in the retail, hospitality, tourism, agricultural, transport and insurance industries, as well as certain social enterprises and charities in the third sector. Changes to the environment can also shape consumer behaviour, as more people become increasingly environmentally conscious with a greater desire to buy locally and ethically. As more consumers favour environmentally-friendly products and services, new markets will be created, and other markets will diminish. Business will also be expected to operate in a 'greener' manner, and therefore may have to change certain processes and the way in which they communicate with consumers.

Which environmental factors are most likely to change? Which of these will have greatest impact on your business? Do they represent opportunities or threats to you and your business?

Environmental factors such as . . .

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What can you do to prepare or respond to these potential changing factors?

I can . . .

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Summary

You may feel that it is overly dramatic to consider how the external environment will affect your business. However, whatever the size of your venture – whether you are a sole trader or a company with a team of partners or employees – the external factors outlined in this chapter can impact on your business. Whilst you may not be able to respond to all these factors, it is worthwhile identifying what opportunities or threats arise out of them. That way you can prepare your business to react to the best of its ability.

Some changes in the external environment in which you operate will be predictable; others will be unexpected. Your aim, therefore, should be to build a business which can operate *flexibly*.

My Start-Up Plan

Information about your external environment can go into the *Opportunity Analysis* section of your business plan template if you choose to write a formal plan.

Chapter 8

Operations and Risks



OPERATIONS AND RISKS

Choosing the right type of legal status for your business is really important. It will affect things like the tax you pay, reporting requirements, and your personal financial liability. Before you start your business, **you should talk to an accountant for professional advice** on what structure should work best for you. Some of the most common forms of business are outlined below, along with their benefits and disadvantages.

Sole trader (self-employed)

Being a *sole trader* is popular with people who set up their business on their own. It is the easiest and cheapest way to start up. Before trading (or within three months of trading at the latest) you should inform HM Revenue and Customs (HMRC) that you are working as a self-employed individual and fill in the required paperwork.

As a sole trader, you are responsible for paying your own tax and National Insurance contributions. Annually you have to declare your earnings to HMRC. Please see HMRC for further details (www.hmrc.gov.uk/selfemployed). You also have to set up a direct debit to pay a small monthly National Insurance contribution.

You can trade under your own name or under a business name, but on any business stationery you must include your name: e.g. 'Sam Jones trading as Jones Gardening Services'. Make sure your trading name is not already being used by another company (even though you are not setting up as a limited company). To do this, search the Companies House (www.companieshouse.gov.uk) online database to see if a company with the name you want to operate under is registered with Companies House. You should also make sure that there is not a trademark in the sector you are planning to enter with the same or a similar name; you may be made to change your name or pay damages to the company already trading with that name. You can check trademark registrations on the Intellectual Property Office website (www.ipo.gov.uk).

As a sole trader you have full control of your business and all the profits belong to you. It is easy to set up and keep appropriate accounting records (which you do not have to get audited or make public). However, as a sole trader you have unlimited liability: you are responsible for all the debts and liabilities that your business incurs. Both your business and your personal assets could be at risk if your business gets into trouble.

Partnership

A *partnership* is when two or more people get together to run a business. Like sole-trader-status, it is easy to set up. It means all the costs and profits of your business are shared between the partners.

It is highly recommended that you draw up a partnership agreement in advance of establishing a partnership. In this you

should detail who is going to do what in the business, the amount of money invested by each partner, and the details of what should happen if one or more of the partners decides to leave the business. A partnership document can be drafted by a solicitor.

Like a sole trader, the liability of the business is the partners' *personal* responsibility. The partners are liable for any debts equally, regardless of who incurs them.

Partnerships are good for helping to bring business owners' ideas, experience, knowledge and skills together. But be aware that disagreements can happen between partners.

All partners are responsible for their own tax and National Insurance contributions, in the same way as a sole trader. It is usual to prepare a partnership tax return each year and to split the profit between the partners and enter the profit figure on each partner's personal tax return.

Limited company by shares (Ltd)

A *limited company* is a popular way of trading because the company is a separate legal entity to the business owner (unlike when you are a sole trader or in a partnership). This means you reduce your financial risk, and may be perceived as a bigger company. Finance is also easier to get if you are a limited company as you are able to issue shares to a third party in exchange for a cash injection – something that is not possible as a sole trader. However, the disadvantage of setting up a limited company is that the formation and operation of a company is a bit more complicated than setting up as a sole trader.

You have to make sure you comply with the Companies Act 2006. The owners of a company are called members or shareholders. One (or more) directors have to be appointed to manage the company, and often members and directors are the same people.

The company has to be registered with Companies House, along with documents called Memorandum and Articles of Association. The company also needs to pay a small fee to cover this

administration cost. The Memorandum and Articles of Association documents detail the rules that will govern how the company will operate and what business it will actually undertake. The directors of the company are treated as employees and therefore must pay income tax and National Insurance contributions on their earnings. Companies also have to pay corporation tax on their profits. If the directors are shareholders, they are able to pay themselves dividends from the company profit, which is a more tax-efficient way to pay themselves. An annual return has to be filed with Companies House detailing any changes to the business address, directors and shareholders. Company accounts also have to be filed with Companies House. It is helpful if you use an accountant to do this on your behalf. Please see Companies House for further details (www.companieshouse.gov.uk).

Community Interest Company (CIC)

A *community interest company* – or CIC – can be a limited company by shares or a limited company by guarantee. CIC-status also means additional rules governing how you can operate. These are defined and overseen by the Community Interest Company regulator. CICs are for people who want to run a business with social objectives rather than profit as their primary aim. Some people refer to this type of business as a *social enterprise*. They are still commercial companies, and are expected to make a profit, but have strong social aims often benefiting a geographical community or a community of identity. CICs are able to access grant funding and social finance more easily than sole traders or limited companies.

CICs are still liable to pay corporation tax annually and must comply with all the other legal requirements of a limited company. In addition, they must pass a CIC test to become a registered CIC, and must file a CIC report annually stating the outcomes and activities of the business. CICs have an asset lock to protect the profits of the company. Whilst shareholders can take some dividends from any profit made (if they are a limited company),

the majority is protected to ensure that any surpluses are reinvested back into the company, so that the CIC can continue its work to create social benefit.

Value Added Tax (VAT)

In addition to choosing the right legal status for your business, you should also see whether you want to be, or have to be, VAT-registered. VAT is a tax that is charged on products and services provided by VAT-registered businesses in the UK, as well as goods and services from within and outside the European Union. If your business turnover goes over the VAT threshold (currently £77,000), then you will have to register with the HMRC to become VAT-registered. (It does not matter whether you are a sole trader, partnership or limited company. If your turnover, not profit, reaches the threshold, you have to register for VAT.) You will then have to charge VAT on products and services which you sell, and can generally reclaim the VAT which you pay when your business buys other goods and services. If you become a VAT-registered business, you must submit a VAT return to HMRC on a quarterly basis. Please see HMRC for further details (www.hmrc.gov.uk/vat).

Contracts

When you are trading, it is important to have explicit, legally-binding written contracts which act as agreements between you and your clients. Just because you remember having a telephone conversation where your client agreed to pay you £250 for something, it does not mean they will necessarily pay that! If an agreement is put in writing, it is much more difficult for anyone to renege on promises; and you have evidence, if needed, should legal proceedings start.

It is recommended that you draw up some general terms and conditions that are then made available on your website, as well as accompanying any invoices you send to clients. Written

contracts serve to protect both you and your customers. Common elements any contract should include are:

- **Definitions:** An explanation of words used in the contract and what they are meant in this specific context. For example, a contract might say *client* and this would mean anybody buying a product or service from the company selling the goods and services.
- **Duration:** The length of time the project or delivery is expected to take. In some cases, there might be a clause that states that if one party is late in delivering their agreed part of the contract, they may have to complete the project and then cover the costs themselves, instead of getting paid for it.
- **Scope of work:** A brief but comprehensive description of the tasks and timetable for the work. It should outline the actions that each party will be undertaking, as well as timings for the whole project and any identified milestones.
- **Payment and payment terms:** How and when one party will pay another party. You should specify whether you require a deposit before the work takes place, a percentage of the final fee upon reaching agreed milestones, or full payment at the end of the signed-off project.
- **Warranties and liability:** Which of the involved parties is responsible for ensuring all legal requirements are adhered to and who is responsible for when things go wrong.
- **Termination:** Details whether one party can leave the contract for any reason and the timelines involved.

Once you have reflected on all the legal issues you have to consider, and after you have sought professional advice, you will need to decide which is the most appropriate structure for your business.

Which legal structure are you planning to operate your business as, and why?

I will run my business as . . .

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I have decided this because . . .

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Location, Location, Location!

The type of business you set up will have an impact on where you decide to be based – if you are running an e-commerce business, it might be more cost effective and convenient for you to start operations from home, possibly storing stock in your garage or in rented storage facilities, before you are able to scale up the business. Alternatively, if you are running a mobile catering company or beauty or health service, then perhaps you do not need premises at all, but will need to consider investing in a vehicle large enough to store equipment and produce.

If you would like to set up a shop, café or restaurant, then location becomes very important. You will need to consider the local population, the types of other businesses and competitors in the area, and the amount of passing trade you can expect.

Where will you run your business from?

I will run my business from . . .

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Once you have decided where you are going to be based, you will then need to consider what equipment you require for your business. Expensive pieces of equipment might be better acquired through hire purchase schemes. This usually means that you pay more for the equipment in the long-run, but any such schemes generally include insurance and replacements which may be required. They also help you manage your cash flow better, and can allow you to avoid seeking further investment when you don't really want it (or may not be able to get it).

Do not forget to consider the future of your business. This may affect any assets and equipment you acquire. If you know you are going to have to buy equipment at a later stage, remember to include this in your cash flow forecast. This will hopefully enable you to better prepare and manage your finances.

What assets and equipment will you need to start your business? Do you need any more equipment? If so, where will you get it from, and when?

I will need . . .

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The type of business you set up will bring with it certain legal requirements – most likely, the filing of company accounts once a year and payment of tax. However, in addition to these requirements, the industry you operate in may have further regulations and guidelines to which you must adhere.

The most obvious are probably within manufacturing, health and food-related businesses, where health and safety, testing and hygiene awareness is paramount.

The following is a starting point:

Premises

Contact your local authority planning department for planning and building regulations for existing and possible future office premises.

Environmental issues

The Department for Environment, Food and Rural Affairs (DEFRA) is a good source of information on waste legislation in the UK: [**www.defra.gov.uk**](http://www.defra.gov.uk)

Factories should also consider contacting their local authority environmental health department if they are likely to generate waste through their manufacturing processes.

Manufacturing

Manufacturers must ensure they meet a number of regulations to ensure their products are safe to use. This includes, but is not limited to, the following:

CE Marking

CE Marking is required for a whole range of products, which includes but is not limited to electrical and medical devices, toys, etc. CE marking is essentially a guarantee that the product is safe and complies with all UK and EU safety standards. Further information is available at ec.europa.eu/enterprise/policies/single-market-goods/cemarking. CE marking is self-certifying and needs to be supported by a body of documentation that acts as evidence that you have made every effort to make the product safe. This documentation is put into what is usually called a *technical file* which details a risk analysis, and pinpoints possible safety hazards and design solutions. Once you are confident that your product is safe and conforms to all the standards required you can create a *Declaration of Conformity*.

You should start writing the two above documents as early as possible, and continually update them. These documents should also contain directions included in the user manual (if relevant) that help users avoid using the product in a dangerous manner.

WEEE Directive

The Waste Electrical and Electronic Equipment Directive, introduced in 2007, aims to reduce the amount of electrical and electronic equipment being produced and encourages responsible recycling. If you import or manufacture new electrical or electronic equipment, you need to comply with the UK's WEEE Regulations.

RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment)

Every component used in your products (including the screws) needs to be RoHS-compliant, to confirm that harmful substances (like lead) are not used in them. You should keep a list of all the parts in your product, their source, and attach a RoHS certificate from your supplier to confirm that each product is safe.

Health and safety

You should check your legal responsibility for the health and safety of your employees and the public, and register your business with your local authority if you are operating an office or shop. Factories will need to register with the Health and Safety Executive (HSE).

If food is being stored or prepared on your premises, contact your local authority environmental health department.

Businesses like guest houses, hotels, and residential nursing care homes might require a fire certificate. Check with your local fire authority to see if one is needed.

What are the legal requirements relevant to your business? What will your business need to comply with?

My business will need to . . .

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It is Better to be Safe Than Sorry . . .

Professional indemnity insurance is essential cover for any professional offering consultancy, advice or any other form of professional service.

The vast majority of businesses that offer professional services such as consultancy or other forms of professional services should seriously consider this type of cover. It can protect you and your business if you are negligent or make mistakes that result in a client suffering some form of monetary loss.

For example, IT consultants handle vast amounts of data that belong to clients on a regular basis. Should the consultant lose the data then the client is within their rights to bring a legal case against them. Professional indemnity insurance would help them meet the costs of this.

Employers' liability insurance enables employers to insure themselves against the cost of damages and legal fees associated with employees who are injured or made ill through the fault of the employer or as a result of work undertaken on behalf of the employer. If your employees are normally based in England, Scotland or Wales, it is a legal requirement: you *must* have employers' liability insurance.

Public liability insurance is designed to cover you against claims made against you or your business by members of the public or by other businesses. If members of the public or customers have access to your place of work or premises or you go to theirs (including if you work from home), you should seriously consider taking out public liability insurance. Public liability insurance covers any awards for damages given to a customer or a member of the public because of an injury or damage to their property caused by you, your employees and/or your business. The cost of cover will vary between business types and industry. Public liability insurance does not cover employees. Neither is it compulsory. However, many tradespeople will need proof of their

public liability insurance before they are allowed to enter a client's premises and commence work.

Product insurance – If you make products or sell services that may go wrong and cause damage to your customers or the public then you should consider taking out product liability Insurance.

Property and contents insurance – Much like a home insurance policy this provides insurance should your premises be burgled, damaged by flood or fire etc. It can also include the option of covering for loss of earnings should such events happen.

Considering the varying types of insurance mentioned above, you will need to decide which insurance can best protect you and your business.

What insurance and protection does your business need?

My business will need . . .

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In addition to the more general licenses you might need to register for, there could also be industry specific standards you have to achieve in order to start operating, or standards you aspire to achieve to attract certain clients or to reflect company values.

Once you meet the entry requirements of the authoritative body, you may need to pay annual membership fees, as well as commit to keeping abreast of developments within the industry. For example, all solicitors and registered European lawyers in legal practice or employment in England and Wales who work 32 hours or more per week must complete a minimum of 16 hours of CPD (continuing personal or professional development – usually through attendance of training programmes or conferences) per year.

Membership to some national authoritative bodies is not always mandatory – you will need to check specifically for your profession and industry. If it is not compulsory to join, there may be some useful benefits to becoming a member, as you may receive supplier discounts, specialist training, or access to free business directory listings or databases.

Will your business need to be a member of any particular trading bodies or adhere to any relevant quality standards?

My business will . . .

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When you are starting out, most businesses rely on others to find and deliver the raw materials needed to operate (whether stationery for an office, the component pieces of manufactured products, or ingredients for your smoothies, for example). However, you should also consider outsourcing tasks that you are not particularly skilled in, or that take up a lot of your time, so that you can focus on delivering your products and services and developing the business. Small businesses often hire accountants, bookkeepers, solicitors, graphic designers, and website designers as and when required. If you have not done so already, consider who your *suppliers* could be.

If you are developing a new product you will also need to search for a suitable manufacturer who can help get your product to market. When you are sourcing potential *manufacturers*, you will need to consider how quickly they can produce your products, how many other clients they have, and how they can protect your intellectual property. You will also need to decide whether you would like a license agreement with them whereby you assign your intellectual property to them, and in return they distribute your

products directly to retailers and pay you royalties on any units sold. Do not fall into the trap of working with the cheapest manufacturer.

Finally, you will need to work out who, if relevant, can support you to promote and sell your products and services. There are various *distribution channels* which you can use to help you get your products and services to your potential customers. You may be able to use retail or wholesale outlets, e-commerce websites, a sales team, or a combination of channels which you may have identified in Chapter 6 ('Marketing Activities'). It is up to you which distribution channels you use. However, you need to make sure that any distribution channels you use represent the values you want your business to reflect.

Who (if relevant) are your suppliers, manufacturers, and distributors who will assist you in taking your products and/or services to market?

My suppliers are . . .

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My manufacturers are . . .

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My distributors are . . .

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Although no one can predict the future, if you have invested time coming up with solutions to possible problems when things do go bad, you may be able to rectify them more quickly and cost effectively than otherwise.

For example, the most obvious place to start is probably computer back-up services. What happens if you get a computer virus, or spill coffee on your laptop? You could potentially buy a new computer and have it up and running in an hour or two – but what about the customer records, invoices, artwork and of course the business plan documents you have worked on for ages? Offsite, automated back-ups only work if you have set them up before things go wrong!

There are probably a number of risks which you can protect your business from. First of all consider what those risks are, and then try and think of how you can reduce or remove those risks.

What are your contingency plans for when things go wrong (e.g. back-up suppliers, manufacturers, distributors, IT support, service providers, and temporary staff)?

My contingency plans are . . .

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If you are creating a project plan as you work through this book, or even just jotting down a to-do list with a timeline, it will logically end with a target launch date for your venture. Of course, depending on how your preparation goes, this date might be slightly pushed forward or delayed. Whatever happens, set yourself a deadline; this will help to focus your attention.

When are you going to launch your business?

I plan to launch my business on . . .

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Summary

“Plan for the worst and hope for the best” and “failing to plan is just planning to fail” are two sayings that probably sum up this chapter. Whilst this may have seemed like a lengthy chapter, it needed to be. If you can get everything right from the start, you may save yourself time and money.

It is often said that “the devil is in the detail”. It is worthwhile taking a step back at this point, and working out specifically how your business will function and operate on a practical level. This way you will be able to make sure that you have all the necessary processes and systems in place to run your business effectively, legally and safely. Every business varies in terms of the legal issues, insurance and quality standards to which it must adhere. It is important therefore that you seek professional advice from qualified accountants and solicitors to ensure that your business can operate legally and manage any risks it may face.

For those writing a business plan, information from this chapter would feed into the *Logistics* section of your plan.

Chapter 9

Me and My Team



ME AND MY TEAM

The core activities of your business will probably reflect your own skills, interests and passion. That's why you will likely be more than competent at delivering your products and services. Nevertheless, there may well be more generic business skills that you don't naturally possess. That's fine – after all, you cannot expect to do absolutely everything yourself.

Before you start to work out who could help you to get things done, it is useful to think about all the different kinds of skills you will need for your business.

What specific skills will you need to run and develop your business?

I will need . . .

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No one is perfect! It is quite normal to be better at some things than others. If you are planning to have a team of people working with you in your business, then a good starting point is to analyse your own strengths and weaknesses before you look for people who can complement your weaker skillsets.

Even if you decide to build a team to support your business, it is still important that you acknowledge your weaker skills, and try to improve them if you are able to.

**What are your own strengths and weaknesses?
What can you do to improve your weaknesses?**

My strengths and weaknesses are . . .

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I can improve my weaknesses by . . .

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Whilst businesses vary in size and the ways in which they are organised, there are common functional areas which each business

has. These include, but are not limited to: administration, production, selling, marketing, distribution, customer service, research and development, finance, human resources, and information technology.

When you are planning your business, you will need to work out specifically what each of these different functional areas will do and who will be responsible for managing them.

If you intend to set up in business on your own, you will have to work out how you will organise your work in each of the functional areas. If there is a team of you starting a business together, then you will have to assign each team member functional areas which appropriately match their skillsets.

Whatever your circumstances when you start your business – on your own or with a team – you may wish to employ additional team members or outsource some of your work. It will depend on what resources you have available.

Who is going to do what in the different areas of your business?

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Will you need to employ anyone or outsource any work? If so, what skills and experience will they need?

I will . . .

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As a business owner, you will want your team to carry out their duties to the best of their ability. Your team is the most important asset of your business; you must think about how you can keep them motivated and happy in the workplace. You are responsible not only for their motivation and well-being, but also for empowering them to develop professionally and personally.

If you are going into business on your own, you will need to consider what you can do to maintain your level of enthusiasm and to enhance your own professional development.

How will your business support you and your team to develop?

My business will . . .

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At all points of your business life it is useful to think about who exactly is in your professional and social networks and how they can possibly support your business. These people can be referred to as your *stakeholders*.

Once you have identified who your stakeholders are, the next step is to think about how you can work with them to move your ideas forward. For example, your stakeholders may be able to help you to find funding, customers, maybe sought-after resources and equipment.

Who are your stakeholders who can help you develop your business? In what ways can they support you and your business?

My stakeholders are . . .

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They can support me and my business by . . .

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Summary

Before you start your business, make sure you have a clear idea of the work involved for the different areas of your business. If there are some tasks which you are not comfortable doing, then delegate these tasks to members of your team or request some assistance from someone within your network. Alternatively, you could outsource this work directly to relevant professionals. Even if you do not have a formal team working with you when you are setting up your business, there will be people in your professional and social networks who will be able to support you to move your ideas forward. Do not be afraid to ask them for help!

Effective teamwork requires good communication between team members. If you are managing a team, make sure that you allow time on a regular basis for frequent exchanges of information. This way everyone who is involved in your venture will be able to understand and contribute to your business development plans. If you are working on your own and you do not have a team to talk through your strategic plans with, consider joining a business network. Such networks will often provide their members with

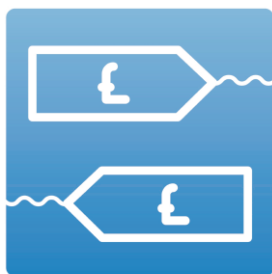
the opportunity to share experiences and solve common problems in a confidential setting. Once you have built up trust with these members, you will be able to regard them as your extended team. Although it may not always feel like it, you are not alone. There are plenty of organisations and networks across the UK which support aspiring entrepreneurs. Make sure you take advantage of them! (A list of some of these organisations can be found in the appendix.)

If you are applying for funding or investment, it is likely that your potential funders will want to know about the key personnel involved in your venture, including information about their skills and experience.

If you are using our accompanying template to write a formal business plan, then details from this chapter should go into the *Logistics* section.

Chapter 10

Costs and Income



COSTS AND INCOME

Before you launch, it is worth calculating how much money you need to spend to get your business off the ground. These costs will vary immensely depending on whether you are developing a new product (typically more expensive due to intellectual property protection and manufacturing costs) or a service-based business. Collating and recording all your business-related costs is a really useful exercise, as it will help you ascertain the full amount of money you require to set up your business.

What are your start-up costs?

Using the table below, list the costs which you need to cover and pay for before you start trading. Some of these will be one-off costs, whilst others may become regular costs which you will have to allocate for on either a monthly, quarterly or annual basis.

My Start-Up Plan

You might have already paid for some of the items listed. If that is the case, add these figures to the table along with any additional costs you still need to cover. Alternatively, if you are yet to pay towards any of these start-up costs, then you will need to list, and possibly predict, relevant figures to complete the table.

Once you have completed the table, consider how you might be able to reduce these costs by (for example) sourcing cheaper second-hand alternatives or shopping around for the most competitive prices.

Now you have estimated your start-up costs, the next step is to work out how much you are going to spend on running costs throughout a typical month. This exercise will enable you to see the minimum amount of money the business needs to generate to become financially sustainable.

What are your running costs?

Using the table below, list all the anticipated running costs for your business. If you do not yet know how much some of the items will be, write down an estimate. Better still, do a little bit of research and make a few enquiries with relevant suppliers and other stakeholders to find out what each of your monthly business expenses may be.

ITEM OF EXPENDITURE	COST (£)
Raw materials	
Stock	
Computer equipment	
Other equipment	
Tools	
Uniforms	
Market research costs	
Website development	
Web maintenance/hosting	
Business stationery	
Advertising	
Printing	
Consumables	
Telephones	
Postage	
Vehicles/petrol/transport	
Rent/rent deposit	
Lighting/heating	
Gas/electricity	
Licenses	
Insurance premiums	
Health and safety equipment	
Professional fees i.e. accountants, solicitors, etc.	
Association fees i.e. professional bodies, networks, etc.	
Wages/recruitment	
Training	
Loan payments/overdraft charges	
Savings/contingency	
Other	
TOTAL	£

Before you start up, it is essential to work out how much money you need to keep food on the table and a roof over your head! This is called a *personal survival budget*. It can act as a guide to show you the minimum amount of profit your business will need to generate per month, once all your business expenses have been paid. If it is unlikely that you will be able to pay all the items listed in your personal survival budget at the early stages of setting up your business, then you will need to think about how you will pay for these personal expenses. You may wish to try and cut down your personal outgoings, or you may wish to take out a temporary overdraft or business loan.

How much money do you need to cover your personal outgoings per month?

Once you have your recent bank statements and relevant bills to hand, fill in the table below by writing down the costs of the different items of personal expenditure you have to pay each month.

ITEM OF EXPENDITURE	COST (£)
Mortgage/rent	
Maintenance fees/service charges	
Ground rent	
Council tax	
Gas/electricity	
Water	
Building and contents insurance	
Life insurance	
Pet insurance	
Car insurance	
Petrol	
Food	
Clothing	
Telephones/mobiles	
TV/Internet packages	
TV License entertainment	
Children's expenses	
Loan payments/overdraft charges	
Credit card payments	
Presents i.e. birthdays and Christmas	
Holidays	
Savings/pensions	
Private health	
Other	
Minus partners contribution	
TOTAL OUTGOINGS PER MONTH	£

Trying to find the right price for your products and services can be tricky. Your price is affected not only by your personal survival budget but also the time you spend on the business, as well as the production and development costs of the products and services you are delivering. On top of this, you will need to consider what your competitors are charging and what your customers are prepared to pay.

If you are a product-based business, you might want to develop two separate prices: one for retailers (your wholesale price) and one for customers (your recommended retail price – RRP). Typically your wholesale price will be lower than your RRP, as the retailers will be expecting to make a profit from selling your products. Do not sell yourself short when you are working out your wholesale price; you need to make sure that your wholesale price will generate a profit for you.

If you are a service-based business you will need to take into account the time you spend on administration, marketing and business development, as well as the actual time you spend delivering your proposed service.

How much do you intend to charge for each of your products and/or services?

Using the table below, write down all the different products and services you intend to sell, followed by the wholesale price (if relevant) and the price you wish to set for customers who buy from you directly.

PRODUCTS/SERVICES	WHOLESALE PRICE (£)	PRICE (£)
Product A		
Product B		
Service A		
Service B		
Other		
Other		
Other		
Other		

Now you have worked out the price of your individual products and services, the next step is to work out how many of each product and service you can sell over the next couple of years and how much money this equates to. This is known as your *sales forecast*.

When you are starting out, this might be guess work; you won't have figures from previous years to help inform your predictions. However, it is important that you try to work out how many sales you can realistically make over the first three years because it will help you manage your production, staffing and financial needs more effectively.

Some businesses are seasonal – they may sell more of a particular product or service at a certain time of the year. If this is the case for your business, bear it in mind when you are forecasting your sales figures for the year.

This is, of course, only a forecast. Once you are up and running, you should compare the sales you have predicted here with the sales figures you actually achieve, and use them to make your future sales forecasts more realistic.

What level of sales can you achieve over the next three years?

Using the table below, list each of your products and services in the left hand column, followed by the price per unit as determined by the previous question. Then estimate how many of these products and services you think you will sell during the month. Finally, calculate how much money that translates into for the month. Repeat this monthly forecast for the whole year and then work out your total annual sales.

Once you have developed a forecast for the first year, you might want to do the same for your second and third year of trading.

It is useful to develop a pessimistic, realistic and optimistic version of these sales forecasts, so you can consider what impact these different sales levels could have on your business.

Item	Price (£)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total (£)
		V	T	V	T	V	T	V	T	V	T	V	T	
Product A														
Product B														
Service A														
Service B														
Other														

Although you have forecast your sales, you now need to go one step further to work out what money is coming in and out of your business and when you will actually get paid. This is called a *cash flow forecast*. It will help you see what money you have in cash in your bank account at the end of each month and can serve as a warning system, alerting you to the fact that your business might be low on cash in a particular month and potentially unable to make the necessary payments to keep your business running.

It is recommended that you use a cash flow forecast throughout your business life as it is a really useful tool to help you manage your finances. It can help you determine whether or not the business is viable and whether you will be able to draw funds from the business to support yourself (and pay your personal survival budget). By knowing your monthly sales and expenses, you can

also make decisions on when to purchase equipment or hire staff and if you need to obtain a line of credit.

When do you expect to have money coming in or going out of your business?

The cash flow forecast features *receipts*, which is money coming into your business from any sales, people who owe you money (called *debtors*) and other cash injections. Underneath this is a list of *expenses*, which covers your running costs (previously featured in this chapter).

If you have not yet started your business, fill in the 12 *forecast* columns within the table with the relevant amounts of money you expect to receive and pay out each month. Once you are trading, you can then fill in the *actual* columns with the correct figures at the end of each month. You might find it useful to refer back to your sales forecast when completing this receipts section.

If, on the other hand, you are already trading, you should have an idea of your income and expenses already. Therefore, you should be able to fill in the actual columns from previous months and create a more realistic cash flow forecast for the future.

As you work through the table, ensure you calculate your *total receipts* (A) and *total expenses* (B). To work out your net cash flow (i.e. the amount of money left over after you have paid all your expenses) just subtract B from A.

The final two rows refer to the amount of money you have in your bank account at the beginning (*opening bank balance*) and at the end of the month (*closing bank balance*). Complete these sections by entering your overall bank balance at the start and end of the month. The starting balance will always be the same as the closing balance of the previous month.

When filling in the receipts section, remember that you might not always get paid straight away – it will depend on the credit terms you have set for your customers. Just because you deliver the work

in a certain month, it does not necessarily mean that you will get paid in the same month.

Cash Flow Forecast

Whilst you may now know how much money you can expect to have coming in and out of your business, you will not necessarily know whether you will be making any *profit* from the products and services you intend to sell. By subtracting the costs of sales (called your variable costs) and your running costs (called your fixed costs) from your sales income (calculated earlier in the chapter), you will be able to work out your net profit. You will also be able to calculate how much money you need to bring in to cover your variable and fixed costs before you start making any profit (i.e. your breakeven point). A profit and loss forecast can help you work out all these calculations in one go.

Before you start your business, it is worth writing a profit and loss forecast for the first three years. As with the previous exercises, this is a handy financial tool to continue using once you are trading, as it can help you see how much of a profit (or a loss) you are making year on year.

How do you know if you are going to make any money from your business?

In the table below, you will see that there are a number of figures which you need to enter. The first number you need to write down is the total amount of sales you expect to have achieved (A), by the end of the first year. Refer back to your sales forecast from earlier in the chapter to find out how much you anticipate your total expected sales income to be.

Next, you need to work out your total variable costs (B). These costs are the total annual costs associated with the sales of your products and services. It is likely that these will change, depending on how many products and services you sell (hence the label

variable). You should have already accounted for these costs in your cash flow forecast. Depending on your business, these may include, but are not limited to, stock, raw materials and equipment, labour and tools, room hire and hospitality. Essentially you have to include the costs of things you need to pay for in order to obtain or create your product or deliver your service.

Once you have calculated and written down your total expected sales for the year, as well as your total annual variable costs, you should then subtract the variable costs from your expected sales. The amount you are left with is your gross profit (i.e. sales (A) - variable costs (B)). In order to calculate your gross profit margin, all you have to do is divide your gross profit (C) by your total expected sales (A) and multiply by 100 (i.e. $\text{gross profit (C)} \div \text{total expected sales (A)} \times 100$).

In the second part of the table you need to write down your annual fixed costs (D). These are the costs which do not change, no matter how much your business sells of your products and services. These costs are the items of expenditure for which your business will have to pay each month, and the running costs noted in the expenses section of your cash flow forecast. Once you have written down all your annual fixed costs, write down the total figure of these costs where asked.

In order to find out how much money your business is genuinely making i.e. your net profit (E), subtract your total fixed costs from your gross profit (i.e. $\text{gross profit (C)} - \text{total fixed costs (D)}$). Remember that you will have to pay tax on your net profit!

If you want to find out how much your net profit margin is, divide your net profit (E) by your total expected sales (A) and multiply by 100 (i.e. $\text{net profit (E)} \div \text{total expected sales (A)} \times 100$). This is a handy calculation to work out, as you can compare your net profit margin to other businesses in your industry to see how you are performing if this information is accessible. You can also see if there is any room to improve your net profit margin by either increasing your sales income, reducing your variable costs, or diminishing your fixed costs if possible.

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	Year 1 (£)	Year 2 (£)	Year 3 (£)
Total Expected Sales (A)			
Total Variable Costs (B)			
Gross Profit (C) (A-B)			
Gross Profit Margin (C/A*100)			
FIXED COSTS			
Raw Materials			
Stock			
Computer Equipment			
Other Equipment			
Tools			
Uniforms			
Market Research Costs			
Website Development			
Web maintenance/Hosting			
Business Stationery			
Advertising			
Printing			
Consumables			
Telephones			
Postage			
Vehicles/Petrol/Transport			
Rent/Rent Deposit			
Lighting/Heating			
Gas/Electricity			
Licenses			
Insurance Premiums			
Health and Safety Equipment			
Professional Fees i.e. Accountants, Solicitors, etc			
Association Fees i.e., Professional Bodies, Networks, etc			
Wages/Recruitment			
Personal drawings			
Training			
Payments to creditors			
Loan Payments/Overdraft Charges			
Savings/Contingency			
VAT			
Total Fixed Costs (D)			
Net profit (E) (C-D)			
Net Profit Margin (E/A*100)			
Breakeven (B+D)	Year 1 (£)	Year 2 (£)	Year 3 (£)

The final part of the profit and loss forecast focuses on your breakeven point. This is the minimum amount of sales you need to generate to cover your variable and fixed costs. It can act as a guide, telling you the minimum amount of money your business

should generate in sales income, so that you can pay all your business expenses.

What is the minimum amount of sales you need to make in order to cover all your costs?

This is a straightforward calculation for you to carry out. In order to find out your breakeven point, refer back to the profit and loss forecast, and simply add together your total variable costs (B) and your fixed costs (D). Once you have done this, you will have a clear idea as to how many sales your business needs to generate in order to cover all your costs.

Summary

By now you should have a good idea of what your personal and business expenses will be. You should also have an idea of when money will be coming in and out of your business, as well as whether and when your business will be making a profit. When you have finished all the calculations highlighted in this chapter, you should be able to see whether you need some extra cash or temporary credit to cover your start-up, variable and fixed costs during the early stages of trading.

You may be able to acquire credit from family or friends. Failing that, you could see if there are any grants or competitions which you can apply for. Your next option is to borrow some money from a bank or investor. If you do this, make sure to work out exactly how much you need and how you intend to pay the money back, accounting for loan repayments in your cash flow forecast. If you borrow money from an investor, remember that they will not only want to get the money back but also additional money generated by your business.

All the calculations you have gone through in this chapter can be included in the *Finance* section of your business plan.

Chapter 11

Moving Your Idea Forward

The aim of this book and accompanying toolkit is to assist you in getting your ideas down on paper. Hopefully by now you have started to jot down answers to some of the questions for each of the nine areas, and begun to pull together information to feed into your overall plan. You may also have a to-do list that has grown considerably since you started reading this book!

Many people fear or dismiss business-planning when thinking about starting their own business. This is an unfortunate mistake. The planning stage can help you to analyse your business ideas and spot pitfalls as well as opportunities.

The plan which you are now developing should not only enable you to analyse and build on your original ideas. It should also give you the confidence to communicate your ideas to relevant stakeholders. Ultimately, you should now have a clear understanding of your long-term business goals and details of what you need to do in order to achieve those goals.

The nine areas of the toolkit are the key components to any business plan. Before you start up, it is advisable that you address each of these areas so that you and your business are as prepared as possible. Just in case you missed out any of the sections, here is a recap of what each component is about:

1. The **Vision** section is concerned with your business ambitions.

2. The **Products and Services** section explores your business offering.
3. The **Benefits and Impact** section identifies the benefits of your products and services for your customers and end users.
4. The **Customers and Competitors** section helps you to analyse your market niche.
5. The **Marketing Activities** section serves as a basic marketing plan.
6. The **External Environment** section prompts you to analyse potential opportunities and threats in your market and industry.
7. The **Operations and Risks** section enables you to check how you are going to run things effectively, legally and safely.
8. The **Me and My Team** section helps you to identify who you need to help you turn your idea into reality.
9. The **Costs and Income** section assists you to work out whether your business is viable and profitable.

Once you have answered the questions for all the sections, you will be able to see how interconnected each area is. If you change one area of your plan this can have a knock-on effect on other areas of your business. Use your plan as a working document, therefore, remembering to put aside time to revisit it regularly once you are up and running. It is common for early-stage businesses to change direction.

If you are seeking some form of external funding (e.g. an overdraft facility, a grant, a loan, private investment or are entering a business plan competition), then you may be required to write a formal business plan. If this is the case, you can use our business plan template – developed as part of this toolkit – to help you write your formal plan. The business plan template consists of seven sections which accommodate all the information from the nine areas of the toolkit:

- **Executive Summary** [This section is essentially an introduction to your business plan]
- **Vision** [This section covers the *Vision, Products and Services* and *Benefits and Impact* areas]
- **Opportunity Analysis** [This section covers the *Benefits and Impact, Customers and Competitors* and *External Environment* areas]
- **Marketing** [This section covers the *Benefits and Impact* area and *Marketing Activities* area]
- **Logistics** [This section covers the *Operations and Risks* and *Me and My Team* areas]
- **Finance** [This section covers the *Costs and Income* area].

It is up to you whether you write a formal business plan. The important thing is that you draw up *some* kind of plan that captures your idea on paper. (As a purchaser of this book you can download our business planning template from **www.enterprisenation.com/startupplan**. Navigate to the Appendix for your exclusive download code.)

Once you have worked your way through the prompting questions in each of the nine areas and have evidence that your idea is worth pursuing, the next stage is to work through your to-do list and take the necessary steps to set up your venture. Do not feel you have to go through this stage alone. There is a lot of business start-up support available for aspiring entrepreneurs across the country. If you do not know how to do something, talk to contacts in your network or ask a relevant professional. For more details about current business support available in the UK, please turn to Chapter 12.

Throughout the book we have provided advice to help make your venture a success. Rather than reiterate it in this last chapter, we prefer to leave you with one final tip – **be different**.

Do things differently – in your products, services, related processes, customer service, and marketing activities. The size of your start-up budget should not limit you. Just keep your creative-

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thinking hat on. You will come up with ideas that make sure you stand out from the crowd.

Once you have those ideas, remember you can reuse this toolkit to analyse them and turn them into reality.

Good luck with your ventures! We hope that they are everything you envisioned.

Chapter 12

External Support for Aspiring Entrepreneurs

Information and Support

www.startupbritain.org – StartUp Britain is a national campaign to inspire, accelerate and celebrate entrepreneurship across the UK.

www.enterprisenation.com – Enterprise Nation offer a range of services to aspiring entrepreneurs and small businesses across the UK.

www.mihmentoring.com – Make It Happen provides mentoring for students and graduates who are starting up businesses.

www.smarta.com – Smarta is an online business support and advice network for start-ups, small business owners and entrepreneurs, providing a range of free practical guides, tools and informative videos.

www.startupdonut.co.uk – The Start Up Donut provides free online resources, advice and tools for those wanting to start a business.

Business Support Organisations

www.gov.uk – GOV.UK is a government-funded support site, combining elements of the old Business Link and Directgov services .

www.shell-livewire.org – Shell LiveWIRE is the UK's biggest online community for young entrepreneurs aged 16–30 year olds.

www.unltd.org.uk – UnLtd offers a range of support, grants, and mentors for aspiring social entrepreneurs and more established social enterprises.

www.princes-trust.org.uk/need_help/enterprise_programme.aspx – Prince's Trust support for under-30 year olds.

Loans and Grants

www.startuploans.co.uk – Small loans for 18–25 year olds who are starting their own business.

www.shell-livewire.org/awards/grand-ideas-awards – Shell LiveWIRE is an online national business support organisation which runs a monthly ideas competition (with cash prizes) for 30-year olds and under.

www.ideastap.com/funding – Ideas Tap is an organisation which provides information and opportunities for creative practitioners. It also runs an ideas competition (with cash prizes) aimed at those who are setting up or running creative ventures.

www.fredericksfoundation.org/loans – The Fredericks Foundation is a charity which helps disadvantaged people to set up or expand their businesses.

www.sponsume.com – Sponsume is a UK-based crowdsource funding website for individuals, groups and start-up companies who have ideas for new products, services and community projects.

Funding Databases

www.j4bgrants.co.uk/default.aspx – j4b Grants is a searchable database which provides information on all the latest European grants, UK government grants and other sources of funding to help start and grow your business, social enterprise or charity.

Legal Issues

www.hmrc.gov.uk – HM Revenue and Customs is the UK customs and tax department, providing information for self-employed individuals and companies on tax, VAT, National Insurance and returns processes.

www.companieshouse.gov.uk – Companies House is the governmental organisation that registers all new UK companies and can provide information on legal requirements associated with registering, dissolving and the filing of accounts for limited liability companies and partnerships. They register more than 300,000 new companies each year.

www.ipo.gov.uk – The Intellectual Property Office is the official government body responsible for granting intellectual property (IP) rights in the UK, including copyright, trademarks, design rights and patents.

Skill Swapping and Online Networking

www.swapaskill.com – A large community of people who want to trade skills and items from across the globe.

www.flyingstartonline.com/public/home – Aside from networking opportunities, Flying Start offers students and graduates a variety of support to help kick-start their ventures.

www.horsemouth.co.uk – A social network for informal mentoring, where everyone can share experiences and advice.

My Start-Up Plan

www.linkedin.com – Arguably the most recognised professional online networking site.

Appendix –

Exclusive Download

As a purchaser of this book you can download our business planning template from www.enterprisenation.com/startupplan. Simply enter the code msup1212 and follow the instructions to get hold of a fully featured Word document you can fill out as you go through the book.