

TO HELP YOU GET TO THE STAGE
WHERE YOU CAN TURN THAT

BUSINESS IDEA INTO A REALITY

WE'VE CREATED THIS SHORT
GUIDE OF IMPORTANT ASPECTS
TO CONSIDER WHEN STARTING
A BUSINESS.

It includes valuable tips on how to conduct market research, complete a cash flow forecast as well as advice for choosing a company structure. We hope you find this guide useful and wish you all the best in becoming your own boss.

THE ESSENTIAL **GUIDE** TO STARTING A **BUSINESS**

www.startuploans.co.uk

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DEVELOPING --- YOUR BUSINESS STRATEGY

DEVELOPING YOUR BUSINESS STRATEGY


So you're ready to take your business idea to the next level? That's great! The next step is completing market research to make sure that your idea is valid and achievable.

DEFINE WHAT YOUR BUSINESS DOES

Known as the elevator pitch, this is a great tool to start with when developing your business strategy. It's intended to be a short, snappy summary of how you would answer the question '*What does your business do?*' It can be used for networking, but can also help you clarify the purpose and mission for your business.

ACTIVITY

Lasting no longer than 30 - 60 seconds, make sure to include:

- ✓ What problem, want or need does your business solve?
- ✓ How exactly your business solves this.
-  Make it interesting and attention grabbing. It can act as a pitch for sales.

WHAT IS A BUSINESS PLAN AND HOW CAN IT HELP YOU?

A Business Plan is a written document that describes your business goals and outlines a plan for how you will achieve them. It explains the business objectives and strategies, as well as including the sales, marketing and financial forecasts. A good business plan can help focus your mind and ideas and it's an opportunity to have everything in one place.

Your business plan should sum up:

- ✓ The customer need you're aiming to meet.
- ✓ How your business will meet that need while making a profit.

A Business Plan should be a working document that develops alongside your business. Your business strategy should cover three important topics that we will go through in more depth in this guide: Market Research (p.4) Operations (p.9) and Calculating Your Business Finances (p.13)

If you don't already have a Business Plan, download our free, easy to use template from the Start Up Loans website.

DOWNLOAD YOUR BUSINESS PLAN TEMPLATE HERE

www.startuploans.co.uk/business-plan-template/

MARKET RESEARCH



MARKET RESEARCH

UNDERSTANDING THE MARKET & YOUR CUSTOMERS

Once you've got your business idea, the next step is confirming if there is a demand for what you plan to offer. Conducting market research is vital and is a way of finding out what customers want and if your business idea satisfies that. Ideally, you want confirmation that customers will purchase your product or service and that they would be willing to pay the price you want to charge.

There are a variety of research methods that you can use, even if you have a low budget:



1 | SEND OUT A SURVEY

You can create and send out a survey to your contacts. You can even use free tools such as SurveyMonkey (<https://www.surveymonkey.co.uk/>). Social media is a great tool for increasing responses.

Why not use your social media followers and, if you're struggling for responses, try offering a prize in exchange for their opinions?

TIP!

2 | ATTEND NETWORKING EVENTS

You can find quite a few events that are free to attend by looking on sites such as Eventbrite (<https://www.eventbrite.co.uk/>) or asking at local libraries. It's a great way to meet people in the same start up position as you.

Whilst you're there why not do some free market research by talking to potential consumers.

TIP!

3 | SPEAK TO FAMILY AND FRIENDS

Ask them to give you an honest view of your business idea and ask for constructive criticism as to what you could do better.

4 | HOLD A FOCUS GROUP

This is a great way to meet potential customers and get their valuable opinion. For example, if you're creating a baby product, see if there are any mother and toddler groups taking place near you that you could attend.

MARKET RESEARCH

WHO ARE YOUR COMPETITORS?

It's important to look at businesses that are offering similar products or services to those you plan to offer. Think about why a customer would use your product or service above others. This is essential in planning your marketing and sales strategy as it may mean you have to tailor your product or service to remain competitive.

Look at two groups of competitors:

DIRECT COMPETITORS

Those selling the same or similar products or services.

EXAMPLE

If your business is a coffee shop, direct competitors are other coffee shops.

INDIRECT COMPETITORS

Those selling substitute or alternative products or services.

EXAMPLE

If your business is a coffee shop, indirect competitors are other business places satisfying a customer's need for food or drink, such as pubs and fast food outlets.

What to consider when researching the competition?

1

PRICE

Is another business offering the same product or service as you for a lower price? Or is your price more competitive? You have to be competitive, but think about the quality you are offering too.

2

QUALITY

What can competitors offer customers for their money and how similar or different is this to what you can offer?

3

LOCATION

With the rise in online shopping and international companies exporting, check out similar products and services from further away.

Location doesn't always rule them out as a competitor.

TIP!



MARKET RESEARCH

PREPARE A SWOT ANALYSIS OF YOUR BUSINESS

A SWOT analysis can help you to understand the internal strengths and weaknesses of your business idea, as well as the external opportunities and threats that your business can look to take advantage of or avoid.

‘Strengths’ (S) and **‘Weaknesses’ (W)** are to do with internal capabilities and relate to your business, or business idea. For example let’s consider a bakery. An internal strength would be the high quality of the cakes. An internal weakness could be the cost of production, which may reduce the attractiveness to customers if the end products are priced too high.

‘Opportunities’ (O) and **‘Threats’ (T)** relate to the external environment that your business is in. For example, an external opportunity for a bakery business might be changing consumer tastes and the rise of personalised cakes, whilst an external threat could be the rising price of flour.

	STRENGTHS (INTERNAL)	WEAKNESSES (INTERNAL)	
INTERNAL	<p>What does your business do well, or what do you plan for it to do well?</p> <p style="text-align: center;">EXAMPLE</p> <ul style="list-style-type: none"> • Competitive price <p>List all the strengths your business/ business idea has here!</p>	<p>What does your business not do so well?</p> <p style="text-align: center;">EXAMPLE</p> <ul style="list-style-type: none"> • Lack of finance to develop your business <p>List all the weaknesses your business/ business idea has here!</p>	INTERNAL
	OPPORTUNITIES (EXTERNAL)	THREATS (EXTERNAL)	
EXTERNAL	<p>What is happening in the external environment that your business can take advantage of?</p> <p style="text-align: center;">EXAMPLE</p> <ul style="list-style-type: none"> • Is the market for your product or service increasing in size? <p>List all the opportunities for your business here!</p>	<p>What is going on in the external environment that might affect your business negatively?</p> <p style="text-align: center;">EXAMPLE</p> <ul style="list-style-type: none"> • Are there a lot of businesses doing ..the same as you? <p>List all the threats to your business here!</p>	EXTERNAL

MARKET RESEARCH

ACTIVITY

Now you've listed as much as you can think of, there are a few questions you should try to answer.

- ✓ What makes your business better than your competitors?
- ✓ How can you promote the internal strengths of your business?
- ✓ What internal strengths can you use to try and take advantage of the external opportunities?
- ✓ How can you reduce the number of internal weaknesses your business has?
- ✓ What external threats should you monitor?

Try completing the below SWOT analysis for your own business idea.

STRENGTHS (INTERNAL)		WEAKNESSES (INTERNAL)	
INTERNAL	What does your business do well, or what do you plan for it to do well?	What does your business not do so well?	
	
	
	
	
	
OPPORTUNITIES (EXTERNAL)		THREATS (EXTERNAL)	
EXTERNAL	What is happening in the external environment that your business can take advantage of?	What is going on in the external environment that might affect your business negatively?	
	
	
	
	
	



OPERATIONS

OPERATIONS

THE STRUCTURE OF YOUR BUSINESS

When you start your business you will need to decide what structure you will trade under.

There are two main options that we will look at in more depth:

1. Trade as a sole trader
2. Register as a 'limited company'



What's involved?

SOLE TRADER	LIMITED COMPANY
You operate the business as an individual and are responsible for the business	The business is a separate legal entity of which you are the Director
You do not need to register your business with Companies House	You must register your business with Companies House
No distinction is made between business finances and your personal finances	Business finances are separate to your personal finances
You can employ staff	You can employ staff. As the Director, you are an employee of the company
You must complete a Self-Assessment Tax return for every financial year with HMRC	You must complete a Self-Assessment Tax return for every financial year with HMRC
You must pay income tax on the profits that the business makes	You must pay Corporation Tax
You must pay National Insurance	The Company must pay National Insurance and income tax
You are personally liable for losses that the business suffers	The business is liable for losses that the business suffers
You do not need to file Annual Reports with Companies House	You must file Annual Reports with Companies House

There is also the option to start a business in a partnership and this can be done under a limited company, or you both act as sole traders. In a business partnership, you share the gains and the losses. It's important that you research company structure in depth and work out what is best for the business you want to operate.

TIP!

CHOOSING A COMPANY STRUCTURE

It's widely recognised that operating as a sole trader is easy to set up and involves less paperwork, but operating as a limited company is more tax efficient as the company becomes a separate entity. However, if you start out as a sole trader but want to become a limited company as the business develops, this can easily be done.

OPERATIONS

PROTECTING YOU AND YOUR BUSINESS

It's important to understand the risks that your business faces. Are your customers, employees or property at risk?

If something goes wrong, insurance can stop your business from losing lots of money. There are many types of insurance available and it's important to know what type applies to your business, as some are a legal requirement.

BUSINESS INSURANCE TYPES

1 | PUBLIC LIABILITY

Protects you if someone, or their property, is injured as a result of your business and wants to be compensated for that injury or loss. If customers can hire your services, they may ask to see your public liability insurance policy.

2 | PRODUCT LIABILITY

Protects you if someone is injured as a result of the product that the business makes.

3 | EMPLOYERS' LIABILITY

This insurance can help protect you if an employee becomes sick or injured due to the work they do for your business. Even if you have only one employee, this insurance is a requirement by law.

4 | PROFESSIONAL INDEMNITY

If your business involves providing professional advice, this insurance protects you from legal action or claims against mistakes in your work.

5 | COMMERCIAL PROPERTY

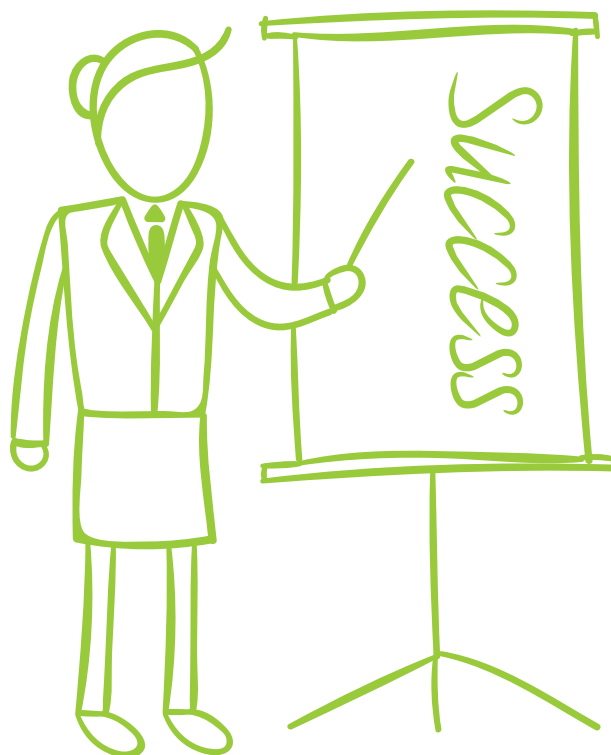
If your business will operate from premises, this insurance protects you against the cost of repairing the property and stock should an accident happen.

6 | KEY MAN

If you are self-employed, you have sole responsibility for your business. This is a form of life insurance that would aim to compensate the business from losses that would occur from the death or extended sickness of an important employee.

IMPORTANT

This list is exhaustive and there are many more insurance policies available. Make sure you do your research, think about who your business will come into contact with and make sure you're protected if things go wrong. Be aware that insurance policies can differ so be sure to check the small print.



OPERATIONS

BUSINESS TAXES AND CHARGES

The tax and other charges you pay will vary depending on what company structure you choose.

Be sure to research the different types of tax and include them in your cash flow forecast which we will cover in Section 4 of this guide. Below is a brief explanation of some common business taxes.

1 | CORPORATION TAX

If you register your business as a limited company, you will have to pay Corporation Tax. After you have registered your company with Companies House, you will have to register for Corporation Tax with HMRC.

2 | PAY AS YOU EARN (PAYE)

If you employ staff, this is a system you can use to take income tax and National Insurance contributions before you pay salaries. Employees are assigned a tax code, which determines how much is withheld.

3 | CAPITAL GAINS TAX

This is the tax on profits you make when selling a product or service. For example, if you buy a table for £100 and sell it for £150, you are taxed on the gains that you have made in the sale (£50), not the full amount you receive.

4 | BUSINESS RATES

If you plan for your business to operate from a physical premise that's non domestic, e.g. a shop or an office, you will have to pay 'business rates' to your local council. These will differ based on where your business is located, so make sure you check the rates before signing for a premise.

5 | INCOME TAX

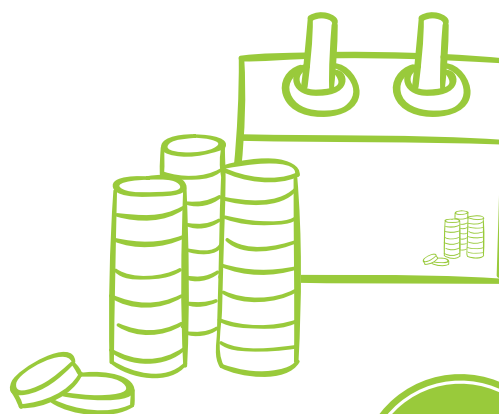
If your income is above a certain threshold (known as a Personal Allowance), you will be taxed. The Personal Allowance (amount of your income that is not taxed) is decided by Government and can vary each year. There are three different tax rates that depend on your income; 20% basic rate, 40% higher rate and 45% additional rate for incomes over £150,000 (correct as at August 2016).

6 | NATIONAL INSURANCE

You will have to pay National Insurance in you become self-employed and your profits are £5,965 or more a year. The amount you pay starts at £2.80 per week (class 2), but increase to 9% on profits between £8,060 and £43,000 (class 4). The rate for profits over £43,000 is 2%. Correct as at August 2016). Find out more at: <https://www.gov.uk/self-employed-national-insurance-rates>

7 | VAT

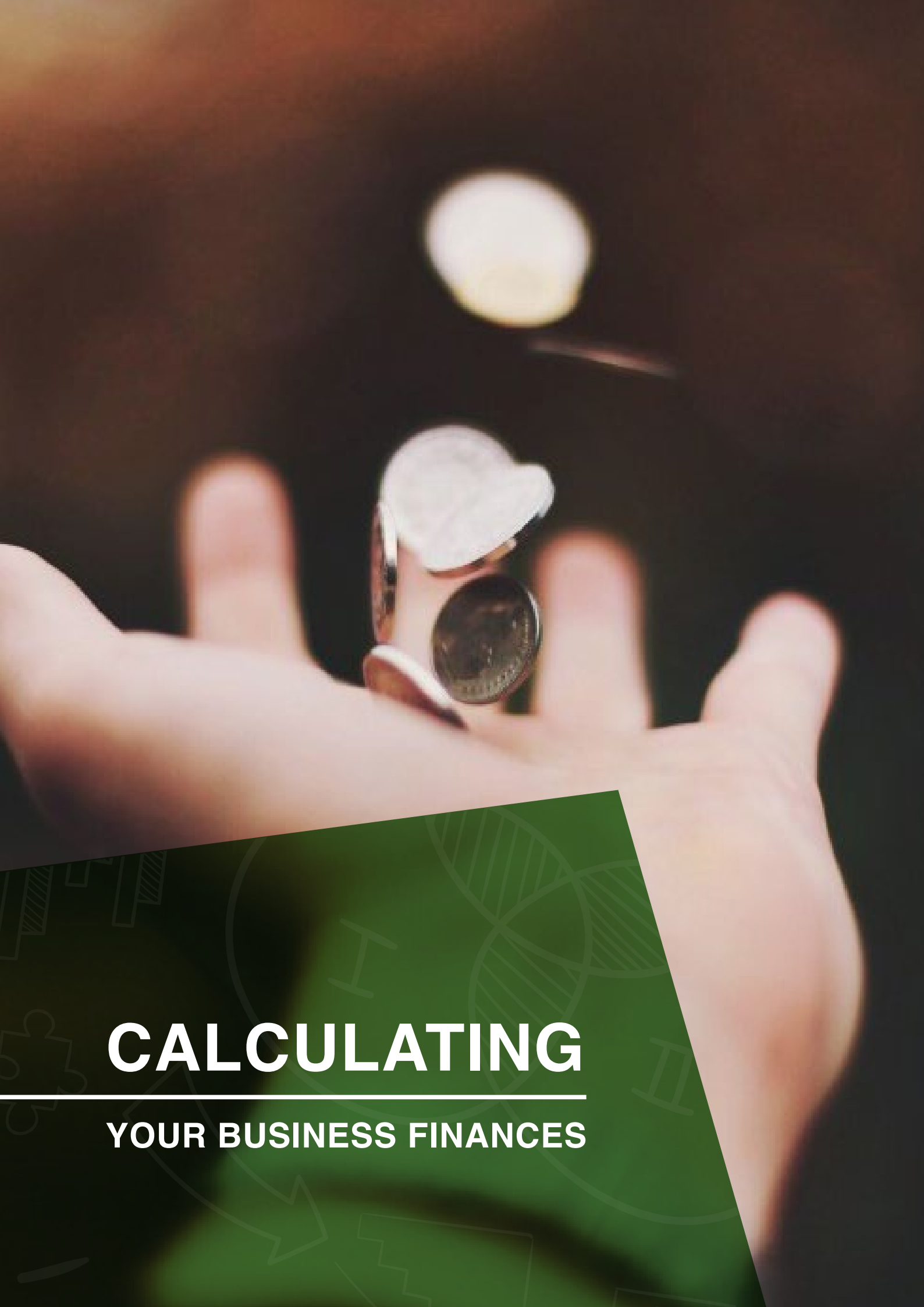
If the 'VAT taxable turnover' of your business exceeds £83,000 within a 12 month period, you are likely to need to register for VAT. You do this through HMRC. For more information visit: <https://www.gov.uk/vat-registration>.



TIP!

SELF ASSESSMENT TAX DATE MIDNIGHT JAN 31ST

The tax year runs from 6th April until 5th April the following year. If you're self-employed and operating as a sole trader or a Director of a limited company, you'll have to complete a self-assessment tax return. Put the date in your diary and remember to check deadlines for registering.



CALCULATING

YOUR BUSINESS FINANCES

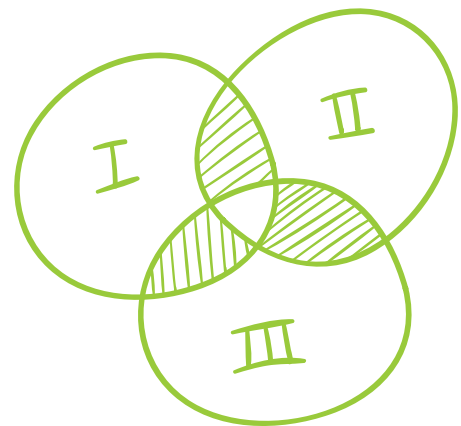
CALCULATING YOUR BUSINESS FINANCES

Failing to understand the Cash Flow of your business can be the make or break of it. It's important that you know how much money you have going out of your business, and how much money you need coming in to make a profit.

WHAT IS A SALES FORECAST?

A sales forecast is an estimate of how many units of your product or service you will sell every day, week, or month. After working out all of the costs involved in producing and marketing your product or service, you should be aware of how much you need to sell to make a healthy profit.

- ✓ Consider the channels that you are selling through and how the sales will differ in each - are you online, in a store or a market place?
- ✓ If you have more than one product, how will sales vary for each of these? Think about factors such as price, sales channel, availability and customer want or need.
- ✓ Benchmark against previous sales. Have you conducted test trading? Whether it's a car boot sale, a market stall or a pop-up, it's a great starting point to see how much you predict to sell in the future. It will also highlight any flaws in your business strategy that may need altering e.g. if your price is too high.



WHAT IS A PERSONAL SURVIVAL BUDGET AND HOW CAN IT HELP YOU?

A Personal Survival Budget is a list of your personal finances. It will show you the amount that you will need to take from the business to live on.

DOWNLOAD OUR FREE CASH FLOW TEMPLATE

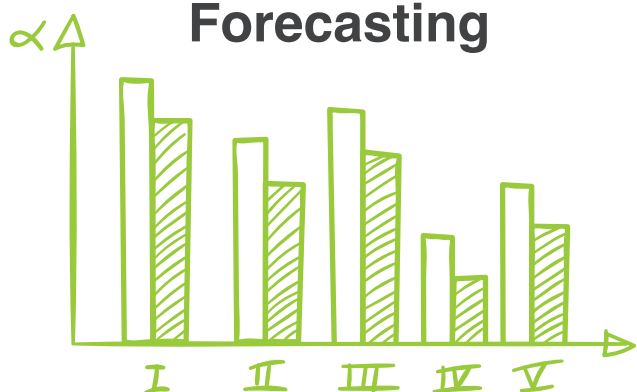
www.startuploans.co.uk/cash-flow-forecast-template/

CALCULATING YOUR BUSINESS FINANCES

WHAT IS A CASH FLOW FORECAST AND HOW CAN IT HELP YOU?

A Cash Flow Forecast is an important way to help you manage your business and its costs. The document itself can look intimidating, but it involves using available information to predict how much money you will have coming in and going out of your business at any given point.

Golden Rules of Cash Flow Forecasting



- ✓ Be realistic.
- ✓ Remember the definitions of 'income' (money received from work and/or investments) and 'cost' (amount of money needed to produce your product/ service).
- ✓ Plan multiple scenarios, including for when things go wrong.
- ✓ Factor in fixed costs (constant costs such as rent and salaries) and variable costs (costs dependent on how much you produce, such as materials).
- ✓ Plan for seasonality and remember to factor in expected busy and quiet times of the year.

How to Complete a Cash Flow Forecast

A Cash Flow forecast is split into two main sections:

1 | CASH COMING IN: REVENUE

This section is where you list any money that you have coming in to the business such as investment, loans and money from sales that you predict to have (these will be calculated in your sales forecast).

2 | CASH GOING OUT: EXPENDITURE

This is a large section of the Cash Flow forecast that includes all money spent (expenses) relating to business activities. Below are some handy tips for what to enter in the relevant sections:

- **Owner Salary** – this is calculated from completing a Personal Survival Budget and is the amount you will need to take from the business for your personal use.
- **Loan Repayments** – if you have listed a loan in the 'Revenue' section of the Cash Flow forecast, make sure you include the monthly repayments here.
- **Expenses** – What items have you purchased for the business? These will differ for every business and you may need to add or remove expenses that are not listed on this document.

THE NET CASH FLOW OF YOUR BUSINESS = TOTAL INCOME – TOTAL EXPENDITURE.

CALCULATING YOUR BUSINESS FINANCES

FINANCING YOUR BUSINESS IDEA

By completing a Cash Flow Forecast, you'll have worked out the amount of money that you need to develop your business idea into a reality. If you need financial help but could also benefit from free business support, then the Start Up Loans scheme could help you.



- ✓ Be realistic. Your sales are unlikely to be the same every month and the business will have busy and quiet periods.
- ✓ If your business has regular payments, whether they are monthly, quarterly or annually, be careful when selecting the month and the amount accordingly e.g. insurance payments can be paid monthly, quarterly or annually.
- ✓ If you register for VAT (your turnover is more than £82,000) don't forget to include your quarterly payments. Turnover is the amount of money that the business takes in a certain time, typically a financial year.



START UP LOANS

NEED FINANCE AND SUPPORT FOR YOUR START UP? START UP LOANS CAN HELP.

The Start Up Loans scheme is a Government-backed initiative, created to help support start up business owners to access the funding and support they need in order to start or grow their own business in the UK.

Since its launch in 2012, the scheme has provided over £300 million of funding and supported over 45,000 great business ideas.

Read below for more information about the scheme.

- ✓ Borrow £500 – £25,000
- ✓ Fixed interest rate of 6% p.a.
- ✓ 1 - 5 year loan repayment term
- ✓ Unsecured, personal loan for business purposes
- ✓ Free application support
- ✓ Free post-loan support and mentoring
- ✓ Free templates and guides
- ✓ No application or set-up fees
- ✓ No early repayment fees
- ✓ Exclusive business offers

Ready to get started?

Register your interest today by visiting our website www.startuploans.co.uk and completing our short online form.

Looking for more information?

For more information about the Start Up Loans scheme, please visit our website or call our Customer Service team.

Web: www.startuploans.co.uk

Tel: 0344 264 2600 (Monday to Friday, 9am to 6pm, excluding bank holidays).

Loans are strictly for 18s and over. Personal loans for business use only. Finance is subject to status. Terms and conditions apply.

OTHER FREE TOOLKITS

ACCESS OUR OTHER FREE DOWNLOADABLE GUIDES TO HELP YOUR START UP BUSINESS.



They're packed full of practical tips, examples and 'how-to' information and, best of all, you can read them on your device or print them out. Whether it's advice on conducting market research, analysing your strengths and weaknesses or optimising your website to find more customers online, we've got it covered. See our full menu below to find the right guide for your needs.

Download the whole set at: <https://www.startuploans.co.uk/free-start-up-guides/>



HEAR FROM BUSINESSES

WE HAVE BACKED

HEAR FROM BUSINESSES WE HAVE BACKED



Elizabeth Klanga - JEWELLERY

I applied for a Start Up Loan as the scheme offered a mentor and support to help start my business. The loan gave me the opportunity to display my jewellery at trade shows, which can be expensive. I was also able to purchase marketing materials such as business cards, display boxes and create a new website. The mentoring I received has helped me stay focused at all times – he always had a list of goals for me to achieve each month.



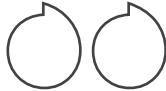
David O'Neal - HAIR SALON

I decided to get a Start Up Loan for my business as I didn't have the initial capital myself and needed funding. I was attracted to the scheme as I knew that it was a straightforward loan that didn't take a share of my business and I was also interested in the free mentoring. The fact that the scheme was government backed gave me confidence to approach them.



Pippa Murray - NUT BUTTERS

When I received my loan Pip & Nut was just an idea so I used the loan for proof of concept. I created a cheap, well branded product and spent three months selling at a market to trial if people would like it. The loan also allowed me to spend time in a product development kitchen testing different recipes for the final peanut butter. My Start Up Loan mentor has been one of the best sources of advice that I've had whilst starting up the company.





HAVE A QUESTION? GET IN TOUCH
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