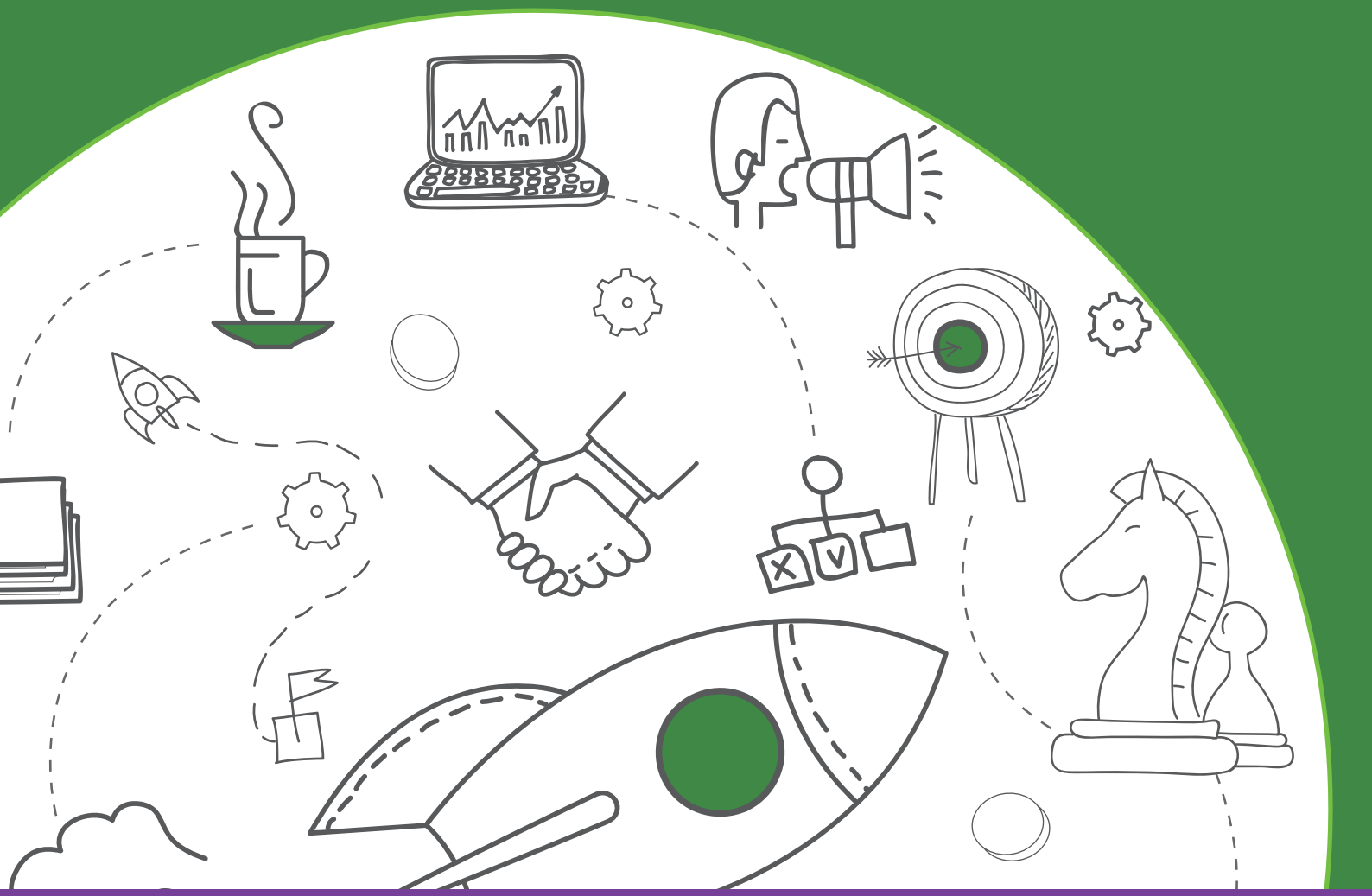
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The **ESSENTIAL GUIDE** to starting a business

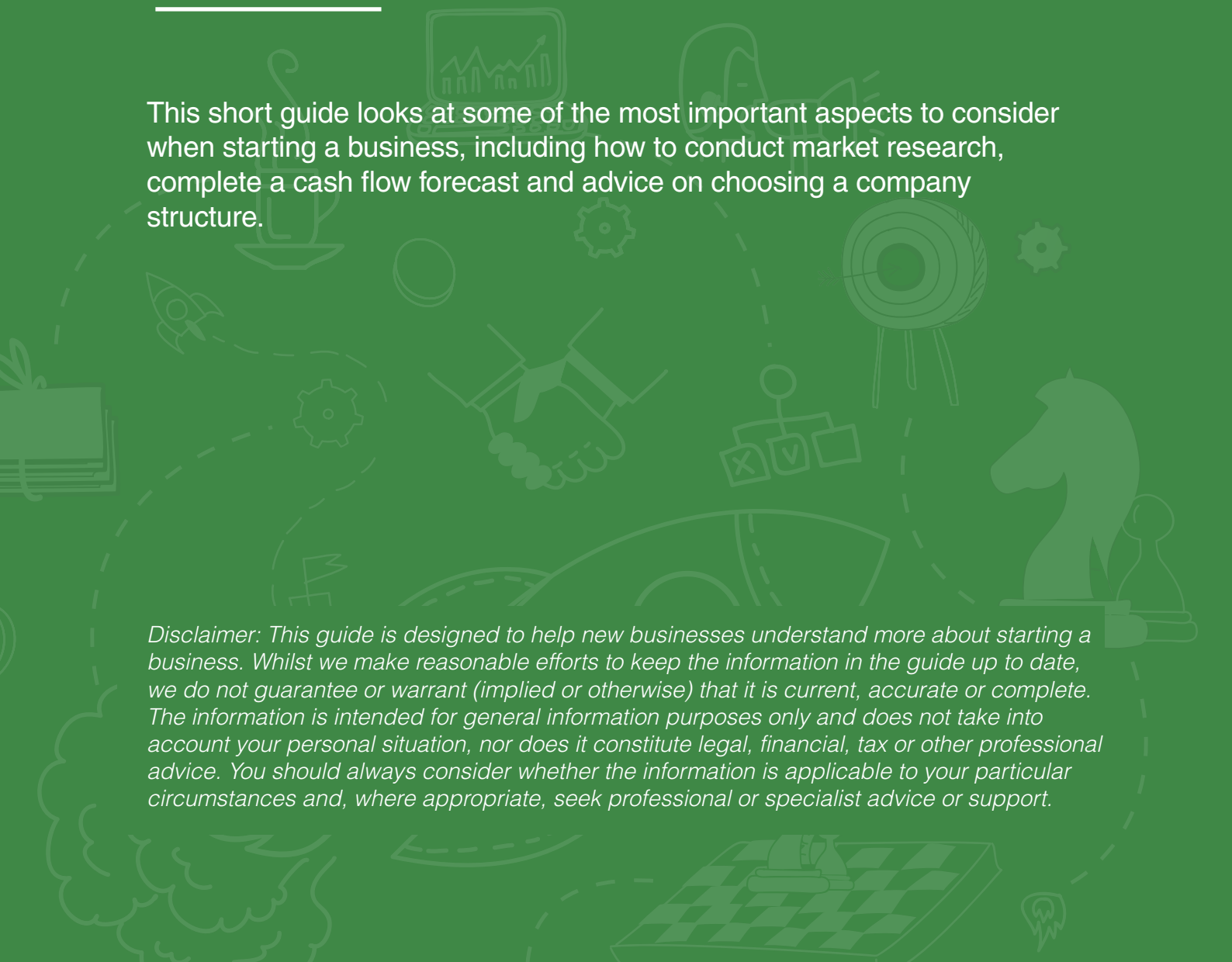


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TURN YOUR BUSINESS IDEA INTO A REALITY

This short guide looks at some of the most important aspects to consider when starting a business, including how to conduct market research, complete a cash flow forecast and advice on choosing a company structure.



Disclaimer: This guide is designed to help new businesses understand more about starting a business. Whilst we make reasonable efforts to keep the information in the guide up to date, we do not guarantee or warrant (implied or otherwise) that it is current, accurate or complete. The information is intended for general information purposes only and does not take into account your personal situation, nor does it constitute legal, financial, tax or other professional advice. You should always consider whether the information is applicable to your particular circumstances and, where appropriate, seek professional or specialist advice or support.

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DEVELOP YOUR BUSINESS STRATEGY



DEVELOP YOUR BUSINESS STRATEGY

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

DEFINE WHAT YOUR BUSINESS DOES

An elevator pitch – a 30-60 second overview of your business - is a great tool to start with when developing your business strategy. It's a short and snappy summary of your answer to this question: 'What does your business do?'

It can be used for networking but can also help you clarify the purpose and mission of your business.

ACTIVITY



Create a 30-60 second elevator pitch. Sum up your business and what it does. Make sure to include:

- What problem, want or need does your business solve?
- How exactly your business solves this.
- Make it interesting. It can act as a pitch for sales further down the line.

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'll achieve them. It explains business objectives and strategies, and includes your sales, marketing and financial forecasts. A good business plan can help focus your mind and ideas, and it's an opportunity to tie everything together in one place.

Your business plan should sum up:

- The customer need you're aiming to meet.
- How your business will meet that need and make 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.7)
- Your Company Structure (p.12)
- Calculating Your Business Finances (p.17)



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

MARKET RESEARCH: UNDERSTANDING CUSTOMERS



MARKET RESEARCH: UNDERSTANDING CUSTOMERS

Understand the market and your customers

So, you've got your business idea, now it's time to learn about the market and your potential customers - basically whether there are any out there and whether your business idea will make a viable business.

Market research can also help you understand what your customers want and what they're willing to pay to get their hands on your product or service.

Market research methods for your business

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. Social media is a great way of increasing responses.



Promote your survey on social media. Did you know you can promote posts on social media channels relatively cheaply?

2| Attend networking events

Keep an eye on events (free and paid) within your area. Rub shoulders with relevant business owners and potential customers. Learn about what works for them and what doesn't.



Most business owners are happy to talk about their business and support other entrepreneurs if they can. Don't be afraid to ask questions!

3| Speak to family and friends

You need constructive criticism and feedback on what your business could do better.

4| Hold a focus group

Focus groups put your business, product or service in front of relevant customers to get their feedback.

Look for relevant groups or events in your area. Trying to launch a baby product? Contact mother and toddler groups and see if they'll let you attend and showcase your business.

MARKET RESEARCH: UNDERSTANDING CUSTOMERS

Who are your competitors?

Look at businesses that do something similar to what you want to do. Look at what they do well, what they do badly and think about what your business will do better.

Look at two groups of competitors:

- DIRECT COMPETITORS - these businesses do the exact same thing as you. Opening a coffee shop? You're up against big names like Starbucks, as well as local coffee shops.
- INDIRECT COMPETITORS - Just because another business is different to yours doesn't mean you can't learn anything from it.

What to consider when researching the competition?



Price

Does your competitor offer the same product or service at a lower price? If you're more expensive, can you justify it?



Quality

Is your competitor's product or service high quality? Is that quality something you can match or improve on?



Location

Competitors aren't just local. With the internet, your competitors can come from all over the globe, so don't limit your research to your region.



Location doesn't always rule them out as a competitor - particularly if you run an online business.

MARKET RESEARCH

SWOT analysis for your business.

SWOT analysis can help you identify the strengths and weaknesses of your business idea, as well as the external opportunities and threats that could impact it.

- **STRENGTHS (S) and WEAKNESSES (W)** Stengths and Weaknesses relate to your business' capabilities.

Working example
Your coffee shop's strength is the quality of the coffee it sells. But a weakness is the high cost of production, which makes your coffee expensive for customers.

- **OPPORTUNITIES (O) and THREATS (T)** Opportunities and Threats relate to external factors that could impact your business.

Working example
An opportunity might be a new bus station near your coffee shop and an increase in passersby. A threat might be a rise in the cost of coffee beans.

ACTIVITY

Complete the SWOT analysis for your business:

- What makes your business better than your competitors?
- What strengths can you use to take advantage of external opportunities?
- How can you reduce the number of weaknesses within your business?

YOUR COMPANY STRUCTURE



YOUR COMPANY STRUCTURE

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

THERE ARE TWO MAIN OPTIONS FOR YOUR NEW BUSINESS:

- Register as a sole trader
- Register as a limited company

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 a 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 a 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 your 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

OR REGISTER YOUR BUSINESS AS A PARTNERSHIP

If there are two or more people forming a company, registering as a partnership is a simple way to share responsibility.

You can do this by registering as a limited company or by each 'founder' acting as a sole trader within the company.

YOUR COMPANY STRUCTURE

BUSINESS TAXES AND CHARGES

Choosing your business' legal structure is a big deal because it will impact how much tax you pay, the paperwork you need to complete and liability.

It's important that you take some time to research the options available to you before registering.



It's worth noting that your business' legal structure can change. So if you register as a sole trader but decide that a limited company structure is more suitable further down the line, you can change.

The taxes and charges your business will pay depend on the structure you choose.

Below, we've outlined common business taxes and the company structures that are eligible to pay them.

Study this list and use it to help you decide which structure is best for your business and remember - you'll need to include these taxes and charges in your cash flow forecast.



COMMON BUSINESS TAXES AND CHARGES TO CONSIDER

Corporation tax

If you register your business as a limited company, you'll have to pay Corporation Tax. Once you've registered with Companies House, you'll need to register for Corporation Tax with HMRC.

PAY AS YOU EARN (PAYE)

Employing staff? If so, PAYE is a system that allows you to take income tax and National Insurance contributions into account before you pay salaries. Employees are assigned a tax code which determines how much of their pay is deducted from their salary.

Capital gains tax

Your business profits are taxable. If you buy a table for £100 and sell it for £150, you will be taxed on the £50 profit you made from the sale, not the full £150 you received.

Business rates

If you plan to run your business from non-domestic physical premises, like a shop or 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 premises.

Income tax

Everyone in paid employment in the UK should pay income tax if their income is above a certain amount. Income below the threshold laid out by HMRC is not taxed, however there are other tax rates which are determined by income. These are set by the UK government and can change.

View the latest UK income tax rates

National Insurance

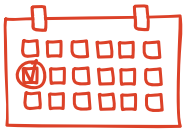
There are different rates of National Insurance contributions if you are self-employed and they are determined by your profits.

View the latest UK National Insurance contribution rates

VAT

If the 'VAT taxable turnover' of your business exceeds a certain amount within a 12-month period, you will need to register for VAT. You do this through HMRC.

View the latest UK VAT rates.



SELF ASSESSMENT TAX DATE

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 by a certain date. Put the date in your diary and remember to check deadlines for registering.

Companies House has an email reminder service you can use to ensure you do not miss a filing deadline.

YOUR COMPANY STRUCTURE

BUSINESS INSURANCE

When starting your business, it's important that you understand the risks you're likely to face.

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.

Public liability

Protects you if a person, 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.

Product liability

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

Professional indemnity

If your business operates from non-domestic physical premises (an office for example), you'll have to pay business rates to the local council. These differ depending on the location of your premises.

Commercial property

If your business operates from physical premises, this insurance protects you against the cost of repairing the property and replacing any lost or damaged stock, should an accident happen.

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.

CALCULATING YOUR BUSINESS FINANCES



CALCULATING YOUR BUSINESS FINANCES

Issues with your business' cash flow can be terminal for start ups. That's why it's vital you know how much money you have coming in and out of your business and what you need to make for your business to turn 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.

Your routes to market

Consider the channels that you are selling through and how the sales will differ on each - are you online, in a store or a market place?

Product variations

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.

Benchmarking

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 forecast future sales. 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 & 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 PERSONAL SURVIVAL BUDGET TEMPLATE

CALCULATING YOUR BUSINESS FINANCES

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

A Cash Flow Forecast is vital in helping you manage your business and its costs. Using information available to you, it allows you to forecast how much money you 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.

The net cash flow of your business = **total income** + **total expenditure**

CALCULATING YOUR BUSINESS FINANCES

FINANCING YOUR BUSINESS IDEA

CASH COMING IN: REVENUE

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.

Be realistic

Your sales are unlikely to be the same every month and the business will have busy and quiet periods.

Regular payments

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.

VAT

If you register for VAT (your turnover is more than a certain amount as outlined by HMRC) 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.



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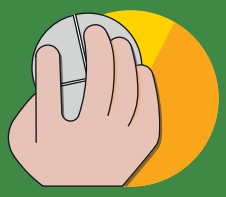
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39%

of our loans went to women

22%

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36%

of our loans went to people who were previously unemployed

67,000

loans issued to aspiring businesses

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- Social Media
- PR
- Marketing
- SEO



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SUCCESS STORIES

Hear from some of the businesses we've backed



"It's fantastic that only six years after we set up we're now expanding to New York. Starting a new business isn't for the faint-hearted, but seeing our business thrive internationally has been hugely rewarding. We wouldn't be where we are today without the initial funding and support from Start Up Loans.

Amy Fleuriot
Co-Founder Hiro + Wolf

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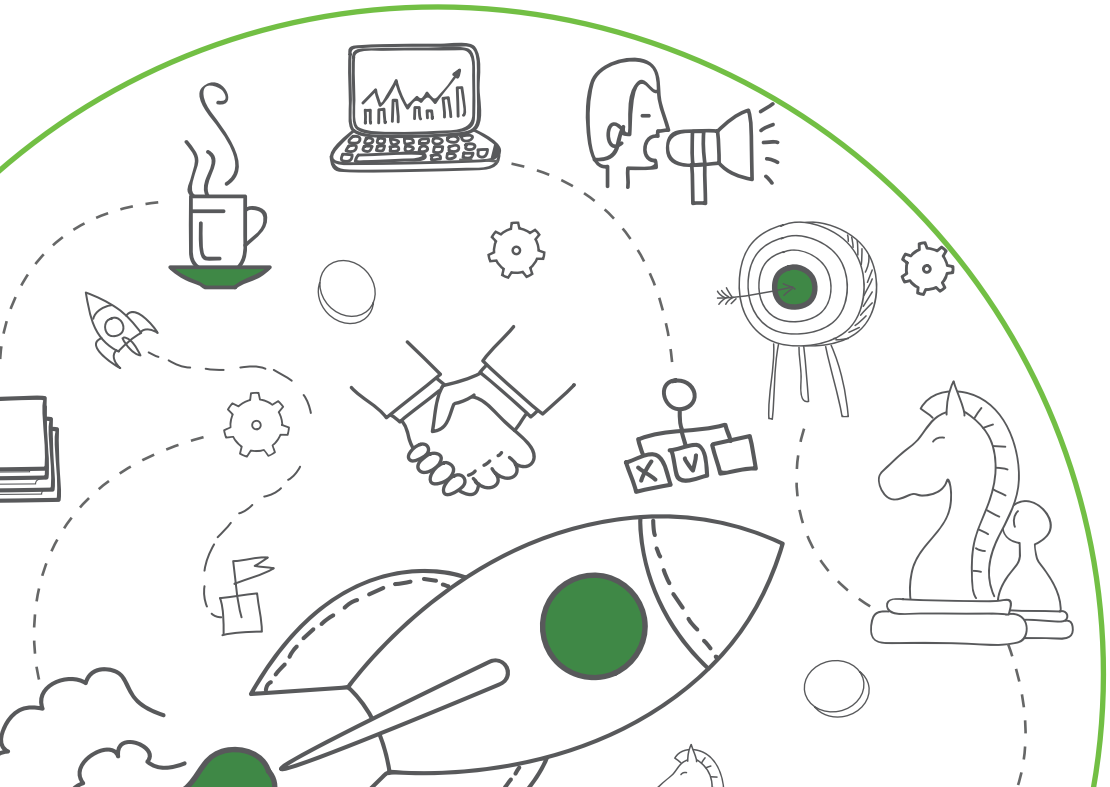
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