



Starting a Business -
The No Nonsense Guide
Module 1: Overview

Module 1: Overview

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1.1 Introduction



Every year, nearly half a million people in the UK start their own business and, encouragingly, more than 80 per cent of small businesses are still trading 12 months after starting up.



People decide to work for themselves for a variety of reasons:

- to be their own boss
- to achieve a better work-life balance
- because they're encouraged to by their family, friends or colleagues
- as a way out of unemployment
- to overcome new challenges
- to take control of their careers
- to turn their hobby into a money-spinner
- to take advantage of a gap in the market
- to turn an idea they've had into a reality
- to meet a social need, for example, by setting up a social enterprise
- to earn more money.

Setting up a business is much easier and less costly than many people think, and working for yourself can be immensely satisfying and profitable.

Maybe you have already decided you want to start your own business, but are unsure whether your idea is viable or if you really have what it takes. You might even have started a business recently and are looking for some good advice on moving things forward. Or perhaps you simply want to find out more about what working for yourself involves.

Wherever you are on your journey, **Starting a Business – the No Nonsense Guide** can help you.

This guide will take you through the process of setting up your own business step by step.

1.2 Deciding to set up your own business

For the hundreds of thousands of people in the UK who start businesses every year, the dream is that it will also be the passport to a more financially rewarding and personally fulfilling future. For many it is, but it's important to be realistic.

If you're undecided about whether or not to start-up, it makes sense to ask:

Does your business idea have a good chance of succeeding?

Successful business ideas are focused on customers. Doing some market research will tell you whether there are enough people who want to buy a product and/or service from you. You'll want to find out whether there will be enough room for you in your chosen market, or if it's already crowded with your competitors. And your price must be set just right – neither too high nor too low.

Have you got what it takes to be your own boss?

The good news is that you don't have to be an expert on every business skill. There are many things you can do to improve your knowledge and develop the personal qualities you'll need. But you may want to think carefully about whether you're committed, enthusiastic, persevering and disciplined enough to run your own business. The important thing is to utilise your strengths, recognise your weaknesses and work on them.

Find out more

For more information see **Module 2: Is starting a business right for you?**

Are you ready to start up?

businesslink.gov.uk/startentrepreneur

Will running a business suit what you want from your life?

Business has a way of taking over your life, especially in the early stages. You may find it useful to look at what you want out of life to see if the two match up. How about your family? Are they behind you and committed to supporting you?

1.3 What you need to find out before you start

Researching the market

The more you learn about your customers and competitors before you launch, the easier it will be to find a gap in the market.

Market research is simpler than you might think. A vast amount of information is available free of charge, and you may be able to discover much of what you need to know by speaking to potential customers and looking at your competitors' websites.

Your goal is to find out as much as you can about:

The market: What's the size of your market? Where are the customers? Are there any trends that might affect your business?

Your customers: What kind of people are they? How and where do they buy? Why do they choose a particular product/service over another?

Your competitors: Who are they and what are their strengths and weaknesses? How does their product/service compare to yours?

The price: What's the price range for your product/service? What would your customers be willing to pay?

Find out more

For more information see **Module 4: Finding and keeping customers**



Market research and market reports:
businesslink.gov.uk/startmarkets

Know your customers' needs:
businesslink.gov.uk/startcustomer

Understand your competitors:
businesslink.gov.uk/startcompetitor

Market research is enormously useful. By acquiring the information and thinking it through, you can tailor your business offer so that it stands a good chance of success. It will also form a key part of your business plan, showing your bank or investors that you have gathered the right evidence to back up your proposal.

How can you make your business idea stand out from the crowd?

One of the reasons for doing market research is to work out how you can make your product/service different to, and better than, what's currently out there.

You need to identify your unique selling proposition (USP) to attract customers to buy from you rather than someone else. In some instances, you may have more than one USP.

Your USP might be something completely new. Or it could be some way in which your product/service is better than others – whether it's faster, friendlier, more reliable, more convenient or located nearer to customers.

Find out more



For more information see **Module 4: Finding and keeping customers**



Research and develop your business ideas:
businesslink.gov.uk/startideas

How much to charge for your product/service

Armed with the findings from your research, you're in a good position to work out your pricing. Getting the price right is vital to the success of your business – if you set the figure too high, customers will be put off and sales will suffer. If you aim too low, you might create the wrong impression or be left committed to a loss-maker that drains profit from your business.

People selling a product tend to go for a 'cost-plus' price in which you add a mark-up to make the profit you wish to achieve. For example, to fix a broken window a glazier might have to pay £5 for travel, £18 for materials and one hour's labour at £30. However, the price to the customer might be £90. This would give a gross margin of £37 to cover business fixed costs. An alternative is 'value-based pricing' which is guided by how much value customers attach to something, which is often far higher than costs.

When in doubt, go for a slightly higher price. If you then reduce the price later, it will be much more popular than a price increase.

Find out more



For more information see **Module 4: Finding and keeping customers**



Price your product or service:
businesslink.gov.uk/startprice

1.4 Planning your business

Your business plan

It's essential to have a realistic, workable business plan when you're starting up a business so that you can look to the future, manage risks and review progress towards your goals.

Your business plan needs to explain clearly and concisely:

- what your product/service will do, why customers will buy it, what are the benefits and what the price will be
- background information about the market for your product/service: market trends, customers, competitors
- how and where you're going to publicise and sell your product/service
- how much you're going to sell and how much forecasted profit you'll make
- how much the business is going to cost to set up and run
- how much you can supply (your capacity in terms of time and production)
- how you'll run your business: employees, premises, equipment, distribution and so on.

Writing this down will help you focus your ideas on what your goals and priorities are, and will allow you to plan how you want your business to grow over the coming years. A business plan is also a requirement if you want to raise finance for your business.

Find out more



For help with putting together your business plan see [Modules 3, 4 and 5](#)



Prepare a business plan
businesslink.gov.uk/startplan

What type of business?

There are a number of business types, all recognised differently in law. Most people starting a small business become a **sole trader**. The second most common type of business is a **limited company**. Other types include **partnerships**, **limited liability partnerships**, and **social enterprises** (a trading business where the majority of the profits benefit the community – eg co-operatives and Community Interest Companies (CICs)).

Different types of businesses pay tax and National Insurance in different ways and require you to keep different records and accounts. They also affect whether you could be financially liable if the business runs into trouble, along with a number of other implications about how you run your business.

Find out more



For help with putting together your business plan see **Module 3: Planning your business**



Choose the right legal structure for your business:
businesslink.gov.uk/startstructuretool

Your business name

Picking a name is one of the most enjoyable things about starting your own business. Think of one that tells customers what you do and portrays the right image. It should be appealing to your target buyers and easy to remember.

Check with Companies House business directories and on the Internet (it's important to use the trade mark checker below) to make sure no-one else is already using the name you're planning to use. Check also the trade mark database at the UK Intellectual Property Office to see if anyone is already using it or something similar.



Find out more

For more information see **Module 3: Planning your business**



Company name and trade mark checker:
businesslink.gov.uk/namecheck

Choose the right name for your business:
businesslink.gov.uk/startname

Where to work from

You need to address a number of practical issues before you can take your business idea forward. One basic consideration is where are you going to base your business? Yours might be the kind of business you can run from home. However, check that the terms of your mortgage, rental agreement or insurance policies don't prevent you from doing so, and find out whether you need planning permission.

If you need premises, allow enough time before starting your business to find somewhere suitable and sort out the finance and paperwork. For some firms, location is vital but for others it's space. Check your local press for available commercial properties. If possible, deal with a landlord who's been recommended to you, and negotiate to make agreements as favourable for you as possible.



Find out more

For more information see **Module 3: Planning your business**



Choose the right premises for your business:
businesslink.gov.uk/startpremises

Employing people

You should plan whether you'll take on employees or staff before you start trading. Decide how many people you need to cover the roles that you have identified and whether they'll be temporary, casual, part-time or full-time.

From the outset, it's important to set clear and achievable goals for them and to provide training that will help them do their jobs better. Recognise and reward the good things your people do or any extra effort they put in. Make sure your employees have everything they need to get the job done on time and to the required standard. Consult your employees – don't dictate to them.

You'll have certain legal obligations towards your employees and staff, ranging from their employment contract to health and safety, minimum redundancy payments and parental leave.



Find out more

For more information see **Modules 3: Planning your business**



Taking on staff - the options:
businesslink.gov.uk/startstaff

Taking on a new employee:
businesslink.gov.uk/startemployee

What equipment you'll need

Even if you work from home you may need to buy office furniture. Make sure you have adequate lighting, heating, and ventilation. You need to look after your own health and safety.

You'll almost certainly need a computer, printer and Internet connection, if you don't already have them. Check that the machinery or equipment you need can be supplied before you launch. The same is true of any vehicles that you need to run your business.

From paper and pens to paperclips, you're likely to need some office basics. Marketing materials (eg brochures and leaflets) and business stationery should also be added to the list.



Find out more

For more information see **Modules 3: Planning your business**



Your responsibilities for health and safety:
businesslink.gov.uk/starthealthsafety

How you'll access your customers

You'll need to have in place a cost-effective route to market. Some businesses set up a shop or outlet and get customers to come to them. For others, travelling to the customer to sell face-to-face might be the best solution. Another option might be to sell your product in bulk to a shop or reseller.

More and more people are now trading online, or you could sell by direct mail or over the phone. Many businesses use more than one route.

Supply and capacity planning

You'll need to forecast how many units of your product/service you're going to be selling, but you should also plan your capacity for producing and delivering them. What would happen if you suddenly became extremely successful and there was a surge in demand? Would you have enough time and resources to cope?

This is an extremely important part of your planning process – your business could depend on it.

Find out more



For more information see **Module 4: Finding and keeping customers**



Identify potential sales channels:
businesslink.gov.uk/startsaleschannels

Finding the right suppliers

Work out what supplies you're going to need and when you're going to need them.

Identify potential suppliers and make contact with them. Don't be afraid to shop around for the best deals.

Try to negotiate trade prices and credit terms. Only buy what you need.

Find out more

For more information see **Module 3: Planning your business**

Choosing the right suppliers:
businesslink.gov.uk/startsuppliers

Promotion and advertising

Promotion is about raising awareness, creating interest and making people want your product. For many businesses, the most powerful promotion comes from word-of-mouth recommendations made by satisfied customers. There are plenty of other options, including websites, telesales, advertising, direct mail, business directory adverts, PR or leaflets put through a letterbox.

Decide which types of media are most likely to be seen or heard by your customers and, in clear and concise language, tell people why they should buy from you. Draw attention to the benefits you offer and make sure they know how they can buy from you (which could be as simple as including your phone number or website address).

Find out more

For more information see **Module 4: Finding and keeping customers**

Advertising: the basics:
businesslink.gov.uk/startadvertising

1.5 Financial planning

How much your business will cost to set up and run

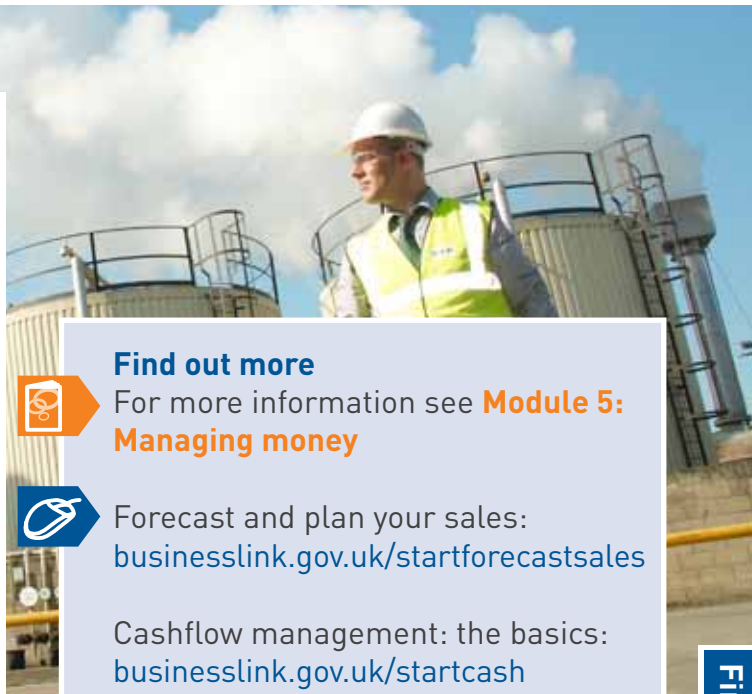
You'll need to sell enough of your product/service at high enough prices to cover your costs and then have a reasonable profit left over to pay yourself.

Sales forecast: The first step in doing the maths is to come up with a realistic forecast of how many units of your product/service you're likely to sell and how much it will cost to produce and sell them. Will you break even, or even make a profit?

Start-up costs: Step two is to calculate your start-up costs. Some people will need very little money to get their business under way. They might already own their own equipment or use their home as a base. Others will have to make big purchases and rent or buy premises.

Running costs: Work out your monthly costs – phone, utility bills, tax, insurance, business rates, salaries, travel expenses and so on.

Cashflow forecast: Work out what your cashflow is likely to be. Ideally, more money will be coming in than going out and you'll have enough of a cash balance to plug any gaps.



Find out more

For more information see **Module 5: Managing money**



Forecast and plan your sales:
businesslink.gov.uk/startforecastsales

Cashflow management: the basics:
businesslink.gov.uk/startcash

Raising finance

You may have enough savings to get your business started but, if not, you'll need to raise finance from other sources. Most businesses use a combination of financing options, according to their specific needs and circumstances.

Friends and family: This can be an easy way to raise money, but be careful. If something goes wrong and you can't repay them, you risk causing damage to relationships that could be difficult to repair.

Banks: To be approved for a loan or an overdraft, you'll be asked to show why you need the money. Use your business plan and state your case honestly and clearly.

Grants: Contact your local Business Link to find out if there are any grants available in your area but remember that these tend to be very limited and specific.

There are other ways of raising finance, such as trade credit (where suppliers will supply the materials and accept payment some time later), outside investment or advance payments from customers.



Find out more

For more information see **Module 5: Managing money**



Choose the right finance when starting up:
businesslink.gov.uk/startfinance

Keeping financial records

Keeping accurate financial records is a legal requirement. Regularly updating your books is also essential to understanding your sales and cashflow. This will help you manage your business more effectively.

Unless your business finances are very simple, it's recommended to use a computer-based system as this will save you time and effort. Ask your bank, accountant or business adviser for recommendations on accounting software.

The level of record keeping you require may vary, but in any case you have to keep all your receipts, records of expenditure and records of all goods purchased or sold.

If you're self-employed, you must keep your records for at least six years from the date of filing. Your books and procedures form the basis of your accounting and tax records.



Find out more

For more information see **Module 5: Managing money**



Set up a basic record-keeping system:
businesslink.gov.uk/startrecordkeeping

1.6 Selling

Sales technique

While the job of marketing is to set up the opportunity, the job of selling is to convert this to an order. With selling, confidence is very important. If you're honest, professional and have belief in your product/service, your confidence will come across to prospective buyers and this will improve your chances of making a sale.

However attractive your product/service is, you'll still need a persuasive sales technique. You have to be able to explain clearly and succinctly what your product/service offers the customer.

Remember to focus on the benefits, rather than the features. For example, rather than saying your loft insulation product stops heat escaping from a house (which is the key feature of your product), you could say that it can save the average household £200 a year in heating costs. This is a benefit and a much more convincing reason to buy.

A key selling skill is listening. If the customer seems reluctant, ask questions in a subtle way to find out why.

Always prepare thoroughly for every sales meeting, and think through what your responses will be to any likely objections from your prospective buyer.

Find out more



For more information see **Module 4: Finding and keeping customers**



The sales appointment:
businesslink.gov.uk/startselling



Selling online

Having your own website has become standard, even for small businesses, and emails can be an effective way to stay in touch with your customers and sell to them.

It's important to create a well-designed website that reflects your business image in a professional way. You should also be able to update the site whenever you want to, without having to pay someone else.

Register your site with search engines to help people find your site and include your website address on all your stationery, emails and marketing items. Get other sites to include your address as a link.

Will you allow visitors to your site to buy online? If so, you'll have to comply with relevant regulations and be able to accept different forms of payment, especially by credit and debit card.



Find out more

For more information see **Module 4: Finding and keeping customers**



Develop an e-marketing plan: businesslink.gov.uk/startinternetmarketplan

Get the right website for your business: businesslink.gov.uk/website

Customer care

Keeping customers happy is one of the most effective ways of getting them to come back for more. It's easier and cheaper to sell to your existing buyers than to find new ones. A satisfied customer is also more likely to recommend you to other people, so they can help you to win new business.

Think of how you can make the whole customer experience better than the one they'll have had from your competitors. Right from their first contact with you through to after sales support, listen to what they say, offer them what they want and do what you say you're going to do.

Take customer complaints seriously. Try to resolve the situation quickly and leave them happy with the outcome.

Provide special offers and discounts to your best customers, if you can. Always try to think of cost-effective ways you can continue to build goodwill between yourself and your customers.



Find out more

For more information see **Module 4: Finding and keeping customers**



Identify and sell more to your most valuable customers: businesslink.gov.uk/startcustomer-care

1.7 Your legal responsibilities

Complying with the law might seem a bit daunting, especially to people who are new to running a business. However, most people find it straightforward. Taking the necessary steps to get it right can give you peace of mind, which will leave you free to get on with running your business.

Tax: There are a variety of tax and accounting responsibilities when you set up in business. You'll need to know your full tax obligations and make sure you comply with all applicable regulations.

Health and safety: You're responsible for the health and safety of your employees, visitors and customers. Businesses come under the jurisdiction of the Health and Safety Executive and some businesses will need to register with their local authority. Check to see if this applies to you.

The environment: Your business can be held responsible for any environmental damage it causes. Find out from your local authority what the regulations are for the disposal of waste and store your waste safely and securely in suitable sacks, containers or skips.

Planning permission: Most building work or change of a premises' use requires planning permission under building regulations. You may need planning permission to use your home as business premises if this fundamentally changes the way in which the building is used.

Licences: Depending on what your business is, you may require a licence from your local authority.

Data protection: If you hold information in hard copy or electronic form about employees, customers, potential customers or suppliers, you must only use it for the purpose for which it was gathered. You may also need to notify the Information Commissioner.

Insurance: Certain types of insurance, such as employers' liability insurance, are compulsory for businesses that employ people. Other types such as theft, fire, and goods in transit are not compulsory but recommended.

Find out more



For more information see
Module 3: Planning your business



Beginner's guide to tax and accounts:
businesslink.gov.uk/starttax

Regulation checklist:
[businesslink.gov.uk/
regulationchecklist](https://businesslink.gov.uk/regulationchecklist)

Your responsibilities for health and safety:
businesslink.gov.uk/starthealthsafety

Your responsibilities for the environment - an overview:
businesslink.gov.uk/startenvironment

Comply with data protection legislation:
businesslink.gov.uk/startdataprotect

Business insurance: the basics:
businesslink.gov.uk/startinsurance

1.8 Where to find help and support

There are many sources of information, advice and support available to anyone starting a new business. No one expects you to know how to do everything.

Business Link: We can provide help and advice and connect you to the expertise and support you need.

Jobcentre Plus: If you're unemployed, tell your Jobcentre Plus Personal Adviser that you're thinking about working for yourself. As well as sorting out your benefits and tax credits, they will make you aware of other assistance available.

An accountant: A good accountant will tell you how to organise your business to make it as financially rewarding for you as possible. Find an accountant with experience of working with your kind of business.

A mentor: A reliable mentor will be an experienced and successful business person – a good listener too. Speaking to your mentor will help you to decide whether your ideas are worthwhile and give you advice once you're up-and-running.

Friends and family: Having the support of your family and friends is vital, even if they know nothing about business.

Other business people: Share ideas and experiences with other people in your position. You could think about joining your trade association or getting involved in local and national small business organisations to help you to build up a network of contacts.





How Business Link helped us

Name: Sam Jeffery and Julia March
Company: Jam Products

In 2007, firm friends Julia March and Sam Jeffery from Martock in Somerset came up with an innovative publishing product, 'Mother's Manager', a diary aimed at families with young children, packed with seasonally based ideas and advice. Only 18 months later, their company Jam Products started selling to prestigious department store Fenwicks in London, and other orders are rolling in. Julia explains how Business Link helped them along the way.

What I did

"The idea properly came into focus in late 2007 when I was made redundant from my job with international banking giant UBS. We'd already been talking for some time about how we could spend more time with our children. My redundancy was the catalyst we needed to take it more seriously, and the idea of a diary that's kept at the heart of family life, maybe on the kitchen table, started to evolve from that moment.

"One of the first actions we took was to sign up for Business Link's business start-up course, and it was the best thing that we possibly could have done. It really showed us for the first time what we had to do to create a successful business, highlighting things about marketing, finance, sourcing and more that we didn't even know we didn't know!

"Thoroughly fired up after the course, we entered a period when we'd never worked so hard. We both thought we'd had it tough before, but this was a new level. But because we were doing it for ourselves, we really didn't mind. It was gruelling, but great fun.

All through this time, we also had access to Business Link's advice and service. In my corporate life, if I wanted legal advice, I'd just go to the legal department, or if the photocopier needed fixing I'd talk to facilities. Business Link is a bit like that – it's always there for you to call on."

1.9 Glossary

Assets

The value of things owned by or owed to the business

Brand

'The bundle of benefits' or added values attached to a product, person or place to make people think of those values every time they have any dealings with the brand

Break-even

The level of sales required to cover all business costs, so neither a profit or loss is shown

Cashflow forecast

An estimate of the cash needs of the business and the flow of that cash in and out of the business account

Creditor

Someone to whom the business owes money

Current assets

Cash or assets which are expected to turn into cash within 12 months

Current liabilities

Monies owed by the business due for repayment within 12 months

Debtor

Somebody who owes the business money

Depreciation

Depreciation means the cost of the asset is spread, so it is written off against the profits of several years rather than just the year of purchase

Domain name

An address of a network connection – usually a website address, often referred to as a URL

Fixed assets

Assets owned by a business for use over a long term, such as equipment

Fixed costs

Costs that stay the same whether there are no sales at all or whether they go up or down

Gross profit

Total income from sales less variable costs

Gross profit margin

The difference between value of sales and variable costs, shown as a percentage

Insolvent

When the business cannot pay its debts, even if it sells all of its assets

Intellectual Property (IP)

Your brand, invention, design, patents or trade marks, which can be legally owned. It could include the name of your business, the products or services you make or provide, or the written or artistic material you create

Legal status

How the type of business, (eg limited company, partnership or sole trader) is recognised in law

Liabilities

The value of things owed by a business to somebody else

Limited company

The company's finances are separate from the personal finances of its owners. The owners are not responsible for the company's debts unless guarantees have been given (eg a bank loan). However, they may lose the money they've invested in the company if it fails

Limited liability partnership

Similar to an ordinary partnership except that liability is limited to the amount of money the partners have invested in the business and to any personal guarantees they have given to raise finance

Net profit

Total income less total expenditure

Partnership

Two or more people share the risks, costs and responsibilities of being in business. Each partner is self-employed and takes a share of the profits and are equally responsible for any losses

Profit and loss account

A statement which shows a business' total income and expenditure for a specific period

Route to market

How you will access your customers, directly (eg from a shop or website) or indirectly (eg through retailers)

Social enterprise

A business that exists to meet a social purpose. A trading business where the majority of the profits benefit the community and are not distributed to shareholders and owners

Sole trader

Self-employed and personally liable for any debts

Target market

A group (or groups) of people or businesses you choose as the focus of your marketing effort

Turnover

Total sales income for the year

Unique selling point/proposition (USP)

Unique benefit (one that you offer but your competitors do not)

Variable costs (also known as cost of sales and direct costs)

Costs that vary in line with the level of sales, for example, raw materials

Viable

A viable business idea is one that has a good chance of succeeding and making a profit (usually supported by research that has been carried out into the market, customers, competitors and price)

Working capital

The value of current assets less current liabilities

1.10 About Business Link

Business Link provides impartial advice and information, to help you start, grow and succeed in business.

It exists to help:

- anyone who's thinking of starting a business
- businesses to develop and grow
- businesses deal with problems, challenges and opportunities
- connect you to the expertise and support that you need
- you understand the regulations which apply to your business.

Find out more

Funded by Government, Business Link is a free service which operates throughout England. It is available online and locally through:



A website which is packed with useful information and practical tools:
businesslink.gov.uk



A national helpline that can help explain the support available in your area
[0845 600 9 006](tel:08456009006)



Find out more

Similar business support services operate in:

Scotland: Business Gateway
0845 609 6611
bgateway.com

Wales: Flexible Support for Business
03000 6 03000
business-support-wales.gov.uk

Northern Ireland: Invest Northern Ireland
0800 027 0639
nibusinessinfo.co.uk

Starting a Business – The No Nonsense Guide is divided into six easy-to-follow modules. Work through it at your own pace or dip in and out, depending upon your areas of interest. This invaluable resource will guide you towards your goal and help you succeed in business.



Module 1: Overview

Summarises the basic steps you'll need to take in order to set up your own business



Module 4: Finding and keeping customers

Covers researching the market, getting your business offer right and successful selling to customers



Module 2: Is starting a business right for you?

Contains information and exercises to help you decide whether running your own business will suit you



Module 5: Managing money

Explains the key skills needed to organise your business finances and how to apply for funding



Module 3: Planning your business

Will help you to plan the practical and legal aspects of your business



Module 6: Your business plan

Enables you to develop a business plan to use yourself or to help raise finance

As well as this guide, Business Link offers the following support:



Workshops to help you decide whether starting a business is right for you and explain what you need to know to make your business a success



Help and advice over the telephone. Call **0845 600 9 006** to talk to a local Business Link adviser



Practical guides and online tools on our website. Visit **businesslink.gov.uk**