

Starting your own business - a mini guide

Thousands of people in the UK decide to start their own business every year.

Far from dampening the spirits of prospective business owners, the economic downturn has actually seen a new wave of aspiring entrepreneurs emerge. For many, it is an ideal time to turn a business concept into a reality – supplies are cheap, services are negotiable, and competitors are hesitant.

Looking back through history, we can see that many great companies have been built during bad times. A good example would be Hewlett-Packard, which was started in a garage during the Great Depression in 1939 by two North Carolina engineers.

There are many benefits of starting up your own business:

- It is an opportunity to pursue a field you are passionate about
- It provides self-fulfillment
- It improves economic and financial literacy
- It promotes independence and the opportunity to make independent business decisions
- It provides an opportunity to make a difference in your local community

Starting a business is not without its risks, though. According to insolvency data from information services firm Experian, some 23,879 UK businesses went to the wall during 2008. Unfortunately, this is a risk that every entrepreneur has to face, but there are measures that can be taken to help protect against this eventuality.

Our basics start-up guide shows you some of the early steps you can take to carefully build your business, from developing initial ideas, through to bankrolling your firm.

Starting your own business - your business idea

Before you invest too much time and money getting your business off the ground, you should first test the viability of your idea.

Remember, what might seem completely innovative to you might have already been done ten times over before. It is up to you to carry out the necessary research to see if there is enough space in the market for your business, both in the short-term and long-term.

Also, if there aren't any products or services like yours, you need to try and figure out why that is. Is it because yours is a completely new idea? Or is it because others have tried and failed before?

There are a number of questions like these that you should try and address, including:



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- What is your area of expertise?
- Is there a market for your proposed idea and how much room is there for growth?
- Would customers be willing to pay a price for the proposed product or services?
- Who are the main competitors and how does your business differ from theirs?
- What will be your main sources of funding?
- How long would it take to break even and generate profit?
- What contingency plans do you have in place?

Starting your own business - writing a business plan

After you have identified a specific business opportunity, it is time to start writing a business plan. Writing a business plan is an essential part of the start-up process. It can give your company a stronger sense of direction, help you map out some clear objectives, and assist in securing vital funds from lenders and investors.

Marketing and financial planning are key elements of the business plan. The marketing section should include detailed strategies of how to reach your target market. Wherever possible, this should be backed up with clear evidence. The more you know about your customers or clients, the better you will be able to identify the most appropriate communications channels.

Your financials section should contain key information like sales, cash flow and profits. It is possibly the most crucial part of the plan as it adds weight to everything that comes before it. For example, in your marketing plan you might explain how you are going to raise awareness of your company via a local radio advertising campaign. This might seem like an excellent idea, but without a clear assessment of costs and proper forecasts you run the risk of losing credibility.

Starting your own business - funding

One of the main hurdles of turning a great idea into a successful business is resource.

However, there are a number of grants, schemes, and loans available to small business enterprises in the UK, so it is worth doing some research to see whether your business is eligible for any of these. A few examples of popular Government-run schemes include the 'Small Firms Loan Guarantee Scheme', the 'Enterprise Finance Guarantee Scheme', the 'Working Capital Scheme' and the 'Capital for Enterprise Fund'.

Apart from Government support, there are various private investment firms that are willing to invest in potentially lucrative ventures. Some particularly notable investors include the 'British Venture



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Capital Association', the 'National Business Angels Network', the 'Oxfordshire Investment Opportunity Network' and the 'City Technology Investment Network'. Having an excellent business plan in place is essential if you decide to go down the private investment route.



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