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# BUSINESS START UP

2021–2023

THE MOST COMPREHENSIVE  
GUIDE FOR ENTREPRENEURS

**SARA WILLIAMS**

FT Guides

## BUSINESS START UP

*The Financial Times Guide to Business Start Up* is your essential guide to starting and running your new business. Taking you quickly and simply through the essential information on finance, tax and law, it will also guide you safely through the minefields of recruitment, marketing, sales, pricing and everything else an entrepreneur must tackle in order to succeed. This fully updated edition provides you with ideas, solutions and key references on a wide range of crucial topics, showing you how to:

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- Raise finance for start-up and growth
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**THE FINANCIAL TIMES  
GUIDE TO BUSINESS  
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# THE FINANCIAL TIMES GUIDE TO BUSINESS START UP 2021/23

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THE MOST COMPREHENSIVE  
GUIDE FOR ENTREPRENEURS

32ND EDITION

SARA WILLIAMS



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## Note

I have taken every care and effort to check the information and advice in this guide. Nevertheless, with a book as comprehensive as this one the odd slip may occur. Unfortunately, I regret that I cannot be responsible for any loss that you may suffer as a result of any omission or inaccuracy. For updates on tax, technical and legal issues, go to [go.pearson.com/uk/he/resources](http://go.pearson.com/uk/he/resources)

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# ABOUT THE AUTHOR

**Sara Williams** is a financial journalist and investment analyst. Until 2014, she was also the executive chair of Bonhill Group plc (formerly Vitesse Media plc), an Aim-listed media company that she founded some 20 years previously.

She has written for a range of national newspapers and financial web sites and magazines, such as *Which?*, *Daily Mail*, *The Times*, *What Investment*, [SmallBusiness.co.uk](http://SmallBusiness.co.uk), [GrowthBusiness.co.uk](http://GrowthBusiness.co.uk). As an investment analyst, she worked as a stockbroker and investment banker, including a spell at Kleinwort Benson. She holds the appropriate certificates to act as an investment manager and adviser.

During her entrepreneurial career, she has founded a business, taken it public, raised money from a variety of sources, launched new products and brands, built databases and acquired other companies.

# 30 TIPS FOR SUCCESS

- 1 Assess your own strengths and weaknesses realistically before you start the business. Try to overcome any shortcomings you have spotted, by training or using an adviser or consultant or part-time employee.
- 2 Don't choose to set up your business in a declining market sector. Instead opt for a sector that you think will continue to grow. Swimming against the current requires much more effort than going with the flow.
- 3 Your idea doesn't have to be unique or original. Businesses can prosper if built around well-worn ideas that are carried out better than the current suppliers' offerings.
- 4 Try to choose a market in which you already have experience, for example, through your previous employment or business.
- 5 Find your own niche in the market that you think you can exploit, preferably a niche that doesn't have just one or two big players.
- 6 It's easier to sell a product that meets some already perceived need, rather than to try and educate a market.
- 7 Spend as little as you can when you start – try to work from home, use freelancers, start online. Keep bootstrapping as long as you can.
- 8 Don't underestimate how long it will take to get your first sales or overestimate how rapidly they will grow. Never underestimate your costs.
- 9 Make sure you have sufficient finance to cover the initial period before your business breaks even, either by saving money before you start so that you can cover it yourself or by finding a backer or lender to support you.
- 10 Get your family on board before you start. Starting and running your own business can be all consuming. Family support in all ways can make a difference.
- 11 Look for a mentor – someone who has already been there and done it for him- or herself. It doesn't need to take up a huge amount of their time – contact can be online as well as face to face. Many experienced entrepreneurs are willing to give time and advice to help a fellow, if aspiring, entrepreneur.

- 12** You can't start a business without taking a risk, but try to avoid unnecessary ones.
- 13** Be self-disciplined. Keep organised. Set your own no-go areas.
- 14** If you don't already have a thick skin, then build one. You need a strong belief in your offering despite the criticisms or carping that inevitably you will receive.
- 15** Networking is a totally underrated skill for an entrepreneur. Equally, your networking needs to be focused, otherwise you will run out of time and achieve little.
- 16** Doggedness is the most attractive quality for an entrepreneur. Persevere through setbacks – there will be many.
- 17** Indecision can be an entrepreneur's enemy. Get the facts, analyse, consult with others and then be decisive.
- 18** Learn from your mistakes and failure. Look at this process positively and convince yourself that this will mean you are a step closer to getting it right!
- 19** You need a balance of skills. If you are aiming at founding a larger business, this means building a team that is compatible and with complementary skills. If you are on your own, it means acquiring the skills. Digital, financial and selling skills are the prerequisites.
- 20** Start with a minimum viable product and grow from there. Adapt the product as you go.
- 21** Don't set the price too low – differentiate your product so that people are not choosing it because it's the lowest priced.
- 22** You are likely to be your business's best salesperson, so don't shy away from this role. If you need more confidence, put yourself on selling skills courses.
- 23** Producing a business plan helps you keep control of your business. Compare budget figures to actual figures and understand why they differ, then adjust your business model.
- 24** It's a lot easier to sell to an existing customer than it is to find a new one every time you make a sale, so look after your customers.
- 25** The key to gaining new customers and keeping existing ones is to gather data and information about people who might buy or might buy more. Be prepared to answer any questions that your customer might have.

- 26** Make sure you follow 'correct' procedures when dealing with staff. Treat them reasonably and engage them in your business.
- 27** Control your cash flow very carefully. Make sure you have the systems so that you can do this. It's a cliché, but nevertheless true – cash is king.
- 28** Don't allow your customers to take a long time to pay you and don't rush to pay your suppliers.
- 29** Negotiation is everything. There are no rules. Jettison any preconceived ideas about what is reasonable or proper.
- 30** There are just three ways you can improve your profits. You can cut costs, increase sales and increase prices. Tiny improvements in all three areas can lead to a substantial difference in your profit levels.

# CHAPTER 1

## YOU AND YOUR IDEAS

As a way of earning a living, running your own business has two distinctive features. The first is that you do not submit yourself to a selection process; there is not, as there is with a job as an employee, a sifting carried out of possible applicants for a vacancy. There is no personnel manager wielding a battery of psychological tests or cunning interview questions to test your suitability for the job or the level of skills you have acquired.

You are the sole arbiter of your fitness to start and run your own business. This puts a very heavy responsibility on your self-knowledge, because without a doubt not everyone is suited to being an entrepreneur or being self-employed. The only external check on your fitness to found a business might occur if you need to raise money; in this case, a bank manager or other lender or investor judges you. But by the time you reach this stage, you may already have committed time and money to your project.

The answer to the dilemma of this self-selection process is self-analysis: know thyself. Later in this book (p. 33) there is a checklist that you (and others) can use to carry out an assessment of your character and abilities. This should provide some assistance in answering the question 'Am I the right sort of person to succeed in my own business?' This chapter describes the type of person who makes the break. Some people talk over a number of years of running their own show but never take the ultimate step. Why do some people break the mould, while others only dream of it?

The second unusual characteristic of starting your own business to create your own income or increase your wealth is that you decide what type of business it is and what market you will be selling to.

While you can select a salaried job in a firm of a particular size or selling to a particular market, you are restricted by the vacancies that are available. When it comes to establishing a business, in theory, the world is your oyster. A well-run business should succeed in any market, but would find it harder in a declining or restructuring sector of the economy. In practice,

however, you can make success more likely by choosing your product and market carefully.

## What is in this chapter?

The first section – you – focuses on individual characteristics and tries to answer these questions:

- Who are you? (see below).
- What do you want? (p. 4).
- What will it be like? (p. 5).
- Why will you succeed? (p. 7).
- Why will you fail? (p. 8).
- How big a business? (p. 8).

The second section – your ideas – focuses on the business and your choice of business idea:

- What are your skills? (p. 10).
- Which is the best market? (p. 10).
- Defining your ideas (p. 11).

## You

The greatest determinant of the success of your business is you: your character and skills. This you must believe if your business is to have any chance of prospering. The type of person who blames external factors for failure and believes that their own decisions have little impact on the course of future events is not suited to building a business.

## Who are you?

How frequently do you overhear, or partake in, conversations that run along the following lines: ‘In a couple of years I would like to start off on my own if I can’, ‘I would love to have my own business but my financial commitments

mean that I can't take the risk', or some other variant? Quite a number of people dream of running their own show, but not all take the plunge.

In some ways, it is hardly surprising that entrepreneurial dreamers are slow to take concrete steps towards making their business a reality. Lying ahead of them, maybe for a number of years, is the unknown: financial insecurity, long working hours, long-term financial obligations and, at the end of it all, possible failure. What is different about those who jump and those who only talk?

The conventional image of an entrepreneur is of a strong-minded, positive risk-taker with a sense of destiny, seizing the ever-present opportunities. Well, this may be a reasonably close approximation of some successful entrepreneurs and you may be that sort of person, but this still does not explain why you are starting your own business and why now. There are many people like this who stay employees for the rest of their lives; and many more who start a business 'accidentally' but make a great success of it.

One plausible explanation for why some start a business and others do not is that those who go solo have received a rude shock to their lives. Their previously cosy existence has been disrupted, such as by redundancy or a pay cut. There are plenty of other reasons that may sway you towards starting a business, for example: being sacked, not being promoted as expected, having your ideas at work rejected, feeling undermined, having a new boss foisted on you, being transferred to a different job or location, retiring but finding you need extra money, reaching a milestone age and feeling you have yet to achieve anything worthwhile, or realising that corporate life does not provide the security or sense of worth that perhaps it did 30 or so years ago. Another catalyst could be seeing a friend or colleague in similar circumstances to you successfully making the break into self-employment.

If you have experienced one of these shocks, the comfortable niche in life that you have created for yourself may suddenly feel restrictive and unsatisfactory. Your response may be to try to seize control of your own life by creating your own job.

Obviously, this shock theory does not explain everyone's decision. There are those for whom starting on their own is a positive, not a negative, move. Some have mapped out their lives to include starting their own business. There are others for whom being an entrepreneur seems commonplace, because most of their family are either self-employed or have started a business.

Finally, you may simply decide to change your work–life balance and give yourself the freedom to organise your time as you wish.

Government statistics show that there were 6.0 million private-sector businesses in the UK in 2020, of which 99 per cent were small businesses (fewer than 50 employees). Around 60 per cent of these businesses were sole traders; that is, there were no employees apart from the owner. And more than 5 million people described themselves as self-employed.

It's easy to see why running your own business is popular: the threat to job security following the pandemic and the subsequent fragile economy; the development of online platform businesses that carry out the marketing and administration for you; the need for many older people to supplement their pensions; the attractions of sharing your assets to provide income; the opportunities created by the Internet for online businesses; the attractions of working from home or flexible (even if long) hours as a way of achieving work–life balance; enterprise education in schools; and the popularity of business-reality TV shows. Starting your own business may become normal, not abnormal.

But, for now, the conclusions are that:

- Not everyone has the necessary ingredients for success.
- There may be many people who live out their working lives as employees who possess the vital skills and characteristics in full, but fail to take advantage of them.

## What do you want?

An important part of your self-analysis should include what it is you hope to achieve by starting a business. Motives may range from achieving monetary gain to enhancing status, to establishing a comfortable working environment, to combining work and home responsibilities. You could have a combination of business and personal objectives. It may be a helpful exercise to note what your objectives are under the following headings, which are not exhaustive:

- *Money*: how much? When? In what form? As much as possible?
- *Working hours*: number of hours? Amount of holiday? Flexibility?
- *Risks*: like a gamble? Only low risk acceptable? Prefer calculated risks?
- *Stress*: looking for lower levels of stress? Can cope with stress?

- *Type of work*: want to be able to do the work you like? Want to choose which work to do and which work to leave for others? Want to concentrate on what you are good at? Feel your skills are being wasted?
- *Independence*: fed up with being told what to do? No longer wish to explain your actions to your superiors? Think you can do better?
- *Achievement*: want to have the feeling of satisfaction that building your own business can bring? Like to set yourself standards to achieve? To see if you can do it where others fail?
- *Power*: looking for the sense of power that being the boss can give? Want to enhance your reputation or status? Want to do better than someone else?
- *Any other objectives?*

Once you have drawn up a list of objectives that you hope to achieve from being your own boss, you need to assess how realistic these are. A number you will find fit ideally with the notion of being self-employed; others will be quite contradictory. Part of your self-analysis should be to see how good or how bad a match your objectives are to the reality.

## What will it be like?

Most probably the answer is much worse than you can imagine. There are a few people who start out and find the whole operation flows smoothly from the beginning; there are others who pretend everything is going well, while the reality is quite different; and there are others who openly admit how hard it is. One of the more dispiriting aspects is that while you may expect hard work for one or two years, it could continue for several.

The government publishes information on the changes in self-employment. The Office for National Statistics showed that only around 40 per cent of businesses started in 2013 were still operating in 2018. Taking advice, such as counselling or training, is likely to improve your chance of success.

If you manage to survive, life will not always be easy. Your business life may follow this pattern:

- *Money*: your income can prove to be a problem. At the outset, if not later on, you may find you cannot draw as much income from your business as you would like. Initially, you will need extra funds to fall back on; it can be very helpful if you have a spouse or partner who is earning.

- *Working hours:* Studies vary widely from saying that the self-employed work fewer hours than employed people, to finding that they work 65 or more hours per week. While, in theory, you can choose your working hours and be flexible, in practice you may find that you work all the hours possible. If your business is not going well, you will need dedication, drive and energy to overcome problems; even if the business starts off well, you may still find you cannot turn your back on it, because you want to make as much money as possible in case things start going wrong! You cannot win: until your business is well established you need to work long hours.
- *Risks:* a gamble is an unlikely basis for a successful business; but if you only want to pursue low-risk ventures, you may be short of ideas to follow up. You stand the best chance if you are prepared to take calculated risks that allow you to make a sound estimate of the chances of success.
- *Stress:* come what may, running your own business can be a very stressful experience. You need to be able to cope with it or to seek advice on ways of overcoming it. Stress is not only caused by business problems; it may also occur in your domestic life as a result of allowing the business to overwhelm you. Your spouse/partner and close members of your family need to be very supportive and prepared for what is to come.
- *Type of work:* you may need to be a jack of all trades. Unless you are forming a partnership or hope to raise sufficient funds to allow you to employ someone who can complement your own skills, you will find you act as salesperson, technical expert, accountant, administrator or whatever. The wider the range of skills you possess, the greater your chance of success. Be honest about what you can do well and what you do badly. If there are gaps, consider being trained in the area of inadequacy (see Chapter 7, 'Getting ready to start') or try to make sure you can afford expert assistance.
- *Independence:* you remain totally independent in your business decisions only if you never borrow or raise money. Once you have done that, you may find that you have to explain your actions, although not usually on a day-to-day basis.
- *Achievement:* founding and controlling a successful business can yield a tremendous sense of achievement, but what happens if there are failures? What would be your reaction? To be a successful business manager, you

need to be able to deal with failure. You must be able to accept failure, while drawing out the lessons learned.

- *Personal relations*: one of the advantages of running your own show is that you select the people who work for you, and (provided you do not discriminate unlawfully – see Chapter 19, ‘Your rights and duties as an employer’) if you do not like them you do not need to employ them. But if you find it difficult to associate in a friendly manner with most people, you are unlikely to be a successful owner-manager. You need to be able to establish good relations with suppliers and customers, as well as with those you employ.

## Why will you succeed?

The conventional view is that your business is more likely to be successful if it fulfils three criteria:

- 1 The people involved realistically assess their strengths and weaknesses and try to overcome shortcomings. This could apply to you alone if your business is as a sole trader. Or, if it is on a larger scale, it means you as the leading figure plus the rest of your management team should be balanced and with no obvious lack of skills. The quality of the management (you and others) is the most important criterion.

Working with others that have complementary skills to yours can enhance your likelihood of success.

- 2 The idea and the market for it has the necessary growth potential and you have experience in that market. Within that market, you need to work carefully to develop your business model and plan. These will need adapting as market and economic conditions change.
- 3 Financing is sufficient to cover any shortfall of working capital (p. 306), especially in the early days.

If you cannot fulfil these criteria at the moment, do not accept defeat; you may be able to do so in the future. Most of the processes can be learned and acquired if your personality allows for realistic self-assessment. At this stage in the chapter, you should already have some self-knowledge about your strengths and weaknesses as an owner-manager. In Chapter 4, ‘Are you sure?’, the information is drawn together in a checklist (p. 33), which you can use as a quick test of where you stand.

## Why will you fail?

You will fail if your operation does not match up well to the three criteria mentioned above. But some more specific problems are:

- overestimating sales and underestimating how long to achieve them;
- underestimating costs;
- failing to control costs ruthlessly;
- losing control over cash; that is, carrying too much stock, allowing customers too long to pay, paying suppliers too promptly;
- failing to identify your market because of inadequate market research;
- choosing a sector which has been badly affected during the pandemic when some long-term structural changes in the economy were accelerated;
- failing to adapt your product to meet customer needs and wants and failing to retain customers;
- lacking sufficient skills in one of the following areas: selling and marketing, financial, production, technical;
- failing to build a team that is compatible and complementary, if your business is on a larger scale;
- taking unnecessary risks;
- underpricing.

Many of these causes of failure are a result of lack of skills. Running your own business does not mean you have to be an expert at everything, but you do have to appreciate the importance of all these aspects so that you can control your business properly. Try to acquire an appreciation of the crucial factors to watch out for by seeking training or advice from others in those areas in which you are weak. Use this book as a starting point. If more help is needed, there are training courses and advice agencies (p. 58).

## How big a business?

One factor to consider at an early stage is which track you are in – the fast-growth, medium-growth or slow-growth lane. You may know, from the assessment of your skills and character, that the most you aspire to is being a one-person business, pottering along steadily, making a good income for

yourself. Or your analysis may convince you that, with the right funds and the right management team, you have the potential to look for swift growth. Your plans about raising money are determined by this consideration.

## Your ideas

Frequently, the reason given for failing to take the step and start on your own is that you lack an idea of what you can produce and sell. This may be because there is a misconception about what is needed for a business to be successful. Your idea does not have to be novel, original or revolutionary. If it is, it may be helpful but, equally, it could be a hindrance. Trying to sell a product or service that has not been available previously can be an uphill struggle and mean long periods of time or amounts of money to develop the right product. Being first is not always best. The first to offer such a product has to educate a market and possibly establish a distribution structure. The second or third into a market can capitalise on all the effort and investment made by their predecessors. The moral is that you should not veer away from an idea because it is not original.

However, it does not follow that you can offer something identical to another business. If you do, how can the potential customer choose? It could only be on the basis of price (p. 179), which suggests that you will struggle to make a profit unless you can sell in volume. The ideal product or service to choose as a basis for your business is one that you can distinguish from the competition by including some additional feature or benefit that is not available in other products.

If you are starting from scratch, how do you come up with a business idea? The first stage is to draw up a shortlist of two, three or four ideas that you can define and research before selecting the one to run with.

There are two possible ways of choosing an idea:

- 1 Using an established skill, product or knowledge; in general, this gives you the greatest chance of success.
- 2 Identifying a market that looks ripe for development by your business and acquiring the necessary technique and knowledge.

In reality, the approaches must be closely interlinked; your business will not succeed if you have the skill or product but not the market, and vice versa.

## What are your skills?

The logical business idea for most people is to choose an area in which they already have considerable expertise. Many self-employed people are simply practising their own acquired knowledge, such as engineers, solicitors, design consultants.

Many people also opt to begin a business using a skill that they have acquired in their spare time as a hobby. Obvious examples are the craft-type businesses, such as jewellery-making and pottery. Using online skills and social media, you can market such products direct to your end-customer. If you do not already have these skills, you need to acquire them. Or you could sell your products through online platforms which will market for you and offer administration, so that you can focus on delivering your product and building your online ratings by getting favourable reviews.

## Which is the best market?

An alternative to choosing an idea based on your existing skills and knowledge would be to research some markets in which you believe there are profitable opportunities. The ideal market to base your business in is one that:

- is growing or is large;
- is supplied by businesses that are not efficient, are outdated or have experienced structural changes during the 2020-21 pandemic;
- has a niche or sector (p. 22) that you can exploit;
- is not heavily dependent on price to help consumers select one product rather than another;
- is not already supplied by products that are heavily branded; that is, there is not considerable customer loyalty to products from one or more businesses. Or you are confident that you can successfully challenge that customer loyalty because your products or the delivery of them are significant enhancements;
- is not dominated by two or three very large suppliers but instead has a number of smaller would-be competitors.

In practice, there is only a remote chance of finding such a market; and, if you did, so would many other businesses, which would make it very competitive. But it would be unwise to base your business in a market that does not come

up with some of these positive indicators. The moral is, do not be afraid of competitors; they prove that there is business there to get.

A tough economic climate might seem the worst time to start a business but, even when the economy as a whole is under pressure, there are still individual markets that present opportunities. For example, if households' disposable income is falling: people still eat but may turn to 'value' food products; they may cut back on big-ticket items but still buy smaller, affordable luxuries, such as chocolate and mini-break holidays; and they may go out less so that home and garden become more important spending areas. Firms may cut back on expensive permanent staff but this may increase demand for freelancers and consultants; for some industries, such as debt collection, economic problems can represent a boom time. Similarly, when the pound is low against other currencies, this can give a big boost to businesses with a high proportion of overseas customers.

It is difficult to enter a market if you have none of the technical skills or industry knowledge necessary. In particular, if you need to raise money, the decision-makers will want to see some, if not considerable, knowledge and experience in that market. If you do not have it, you have to concentrate instead on demonstrating your all-round business skills and experience, the strength offered by your character and abilities, and the research you have undertaken into your chosen market.

## Defining your ideas

At this stage, you may not have focused on just one idea but still be considering two or more. Whether it is only one or several, your next step is to draw up a pen portrait of each idea. Clearly, some of the aspects will be nothing more than wild guesses; you will need to carry out research before developing your business model and encapsulating your final choice in a detailed business plan with realistic forecasts. The brief sketch should define the following points:

- a description of the product or service;
- an indication of why it will sell;
- a description of the intended market: UK, Europe or global;
- your estimate of the approximate price;
- how you think it will be sold;

- a first stab at the amount of sales you can make;
- how it will be made, if it is a product;
- its approximate cost;
- whether revenues are likely to be more than costs.

Having drawn up these broad-brush definitions of a couple of the most promising ideas, you will find that during the detailed estimation and calculation stage, one idea will emerge as the favourite. You can concentrate on developing this one into your business plan.

## Summary

- 1 An unusual aspect of starting your own business is that you make the decision yourself that you have the necessary qualities and abilities to make a success of it.
- 2 Analyse what you expect and hope to achieve from your own business.
- 3 Do not underestimate the problems and difficulties that emerge for business owners.
- 4 Use the checklists in Chapter 4, 'Are you sure?' (p. 33), to identify your weaknesses and strengths.
- 5 Use training and advice agencies to improve your weaknesses.
- 6 Do not be dissuaded from launching a business because you do not have an original idea. With the right management and a promising marketplace, a well-worn idea can be successful.
- 7 The market can be crucial in determining success or failure (rated second most important factor after management by providers of finance). Study your market following the advice in Chapter 3, 'Who will buy?' (p. 21).
- 8 Develop brief descriptions of a couple of ideas before researching more thoroughly. Select the favourite and make up a detailed business plan before setting up the business.

## Other chapters to read

**3** 'Who will buy?' (p. 21); **4** 'Are you sure?' (p. 33); **5** 'Timing the jump' (p. 43).

# CHAPTER 2

## LESS THAN 100 PER CENT

Businesses don't have to be all-consuming. Many self-employed and small businesses are run on a part-time or less than full-time basis. The increase in the number of these types of enterprise reflects the restructuring in society and the economy that has occurred over the past two or three decades. And with the ready acceptance of working from home during the pandemic, business people in general are happier working with more flexible types of suppliers. The business environment is conducive to 'virtual' or 'near-virtual' businesses.

There are a number of typical scenarios for part-time businesses listed below.

First, you might want to share the load of running a business, for example, working for an online platform that provides you with a legal and administrative structure. This allows you to focus on your product or service, while getting a taste of being self-employed and choosing your own work-life balance.

Some examples include online platforms offering odd-job services or online education courses. You might also want to take advantage of opportunities that you see in the 'sharing economy' by letting out your home for short periods while away, sharing your loft or parking space, sharing tools or a lift to work.

Second, you could be a permanent toe-dipper. Perhaps you have to stay at home, for example to look after dependants, children or elderly parents and you are looking to make some money on the side. The amount of time you can devote to your enterprise might be fairly limited, and you need to select your business idea with care.

Third, you may come into the category of 'greys' who have taken early retirement or redundancy and you are looking to establish a business that will supplement your other income without taking away all your spare time.

Fourth, at the other end of the age scale, you might be a younger person starting a business while still in full-time education or while working part-time in some other role.

Fifth, it is very common nowadays for individuals to establish themselves as self-employed with a portfolio of work based around their contacts from their experience in corporate life.

Finally, you might have some sort of business idea but be uncertain whether you want to give up your relatively secure paid employment to commit yourself to surviving on the idea. It may strike you as sensible to test the water a little bit in your spare time or to find out more about the idea before you commit yourself further.

## What is in this chapter?

- Online platforms and sharing assets (see below).
- Toe-dipping (p. 15).
- A 'grey' business (p. 16).
- Young business (p. 17).
- Portfolio work (p. 17).
- Testing the water (p. 18).

## Online platforms and sharing assets

The coincidence of the mushrooming of the Internet, the emergence of disruptive technologies and the acceptance of a desire to share and reduce waste has resulted in the development of many new outlets for those looking to start businesses, including part-time ways of making money outside the traditional employment role. Businesses such as Google and Amazon have displaced traditional and 'old-fashioned' industry leaders with new business models. Sectors such as media, telecoms, professional services and retail have faced and continue to face great challenges. New technologies and innovative ideas are now challenging other sectors previously regarded as immune, such as banking, healthcare, education, transport and energy.

Technology is able to connect and coordinate users into models that build on their interactions to pull out efficiencies and create value that was previously hidden or unable to be accessed. Platforms that enable the interactions now try to grab global reach and spread, enabling their users to build their own

business empire, such as audiences for media content created on YouTube. These audiences can sometimes be monetised with great success.

Platforms can be either business (B) to consumer (C) or can be peer to peer. With B to C, the platform allows producers of items and consumers to exchange value with each other – a whole new different business model from the traditional industry model where a business might have a chain involved in creating and pushing their products to end-users.

Anyone who wants to have their own business income, but may not want it to be full-time, certainly initially, now have ready-made outlets and marketing organisations to simplify their business efforts. Platforms such as Amazon, Shopify, eBay, Upwork or Etsy allow you to sell your products direct to end-users, though it may come at a significant cost. For example, Amazon is now refusing to share any customer details with its sellers, thus severing links between you and your customers.

The development of online platforms has coincided with another trend – the desire to reduce wasted resources and monetise your own assets in ‘sharing’ with others. The government has encouraged the idea of utilising hidden value in assets by introducing small tax-free allowances for all sorts of sharing, cars, tools, driveways, parking spaces, lofts – see p. 395.

So now there are bags of ways that someone with imagination and enthusiasm can make money from their own business by utilising the marketing power of online platforms to sell more of their products or by tapping into the exploitation of underutilised assets by sharing them, even for someone who doesn’t necessarily want to be in full-time business.

## Toe-dipping

You may simply want to earn more money on the side. You may be in full-time employment or you may have domestic responsibilities. In either case, the number of hours available for business is limited.

You will need a very special sort of business idea. The ideal trade should allow you to fit the work into odd or irregular hours. Suitable ideas include:

- *Sharing economy*: sharing your home, loft, parking space, tools, drive, pets, lifts to work, cars.

- *Fashion, health and beauty*: hairdressing, beauty therapy, dressmaking, fashion design, knitting, invisible mending and alterations, massage, aromatherapy, physiotherapy, chiropody, acupuncture, reflexology, personal fitness training.
- *Buying and selling*: books, toys, household items through large marketing web sites such as Amazon or eBay.
- *Writing and publishing*: blogs, vlogs and articles, translating, copy-editing, proof-reading, indexing, copywriting.
- *Arts and crafts*: drawing, illustrating, photography, picture framing, candle-making, glass engraving, jewellery, pottery, soft toys and dolls, design work.
- *Home-based activities*: catering and cooking, upholstery, childminding, curtain making, garden produce, taking lodgers, rearing animals (goats, poultry, bees, rabbits), boarding animals, B&B accommodation, dog walking, home sitting, cat sitting for those on holiday.
- *Assembly work*: toys, lampshades, clothes, Christmas crackers, fire extinguishers, watch straps, jewellery, flat-pack furniture assembly for others.
- *Design work*: graphic design, interior design, web design.
- *Property*: dealing, buy-to-rent.
- *Miscellaneous*: consultancy, online education courses, teaching (music, exam coaching), repairing (bicycles, china, clocks), dealing, building, decorating, electrical repairs, car maintenance, light removals, odd jobs.

## A 'grey' business

There are legions of people in their 50s or 60s, or even older, who feel too young to cease an active economic life but who are pushed out from their established role by 'downsizing', 'restructuring', 'retreating to core activities', are replaced by the march of technology or want to work less than full-time as they age. In addition, around one person in nine over the state pension age currently chooses to carry on working. The number of people aged over 65 that are self-employed has more than trebled since 2001 and is now over half a million.

Such people may not be looking to set up in a full-time business, because the package offered by their previous employer has given them a pension or other financial help. But they may be looking to supplement their income and, more importantly, remain economically and socially involved.

'Greys' can set up sound businesses. They have a number of advantages:

- They may not be looking to derive a huge financial return.
- They have years of business or work experience behind them.
- They are very motivated.
- They may have some initial capital to start the business off and may not need to draw money from it until it is well established.

The disadvantage is that what might start out as a well-controlled economic activity could end up dominating their lives at a time when 'brain' work should be more important than 'brawn' work.

## Young business

'Schoolboy entrepreneur nets millions' is sufficiently unusual to make headlines. But some school and university students do start their own businesses and their number could increase as a result of government policies to teach enterprise in schools. Many student businesses are Internet-based which can fit well around school hours, the demands of university and limited capital availability. There are also educational initiatives – particularly those run by Young Enterprise UK – which enable school pupils to set up and run their own business.

There is no limit on the age at which you can start up as a self-employed person (sole trader). To be a company director there is a minimum age of 16. However, at age 16, you might find it hard to gain acceptance as a credible business because of your youth (although with an Internet-based business your age will not necessarily be apparent). You will normally be unable to get trade credit or external funding if you are below the age of 18.

## Portfolio work

Typically the person who retires early from middle or senior management might look to build a portfolio of work. A good start for such a life of enterprise might be to obtain a contract from your previous employer. This gives you a good base income but now gives you the freedom to organise your time in the way you want to. This also gives you the opportunity to start using your

network of contacts to produce further work. A portfolio approach to business might include the following elements:

- consultancy;
- non-executive directorships or chairmanships;
- project work;
- buying and renovating property to sell or to let.

The advantages of portfolio work are that the income can be relatively secure (especially if the first contract is with your former employer), the diversity of contracts also adds a quality to your earnings, the work is varied and the lifestyle is flexible. However, be careful of your employment status when you first set out on this course. HM Revenue & Customs (HMRC) has clamped down on people who leave an employer one day and return the next claiming to be 'consultants' either working through their own company or on a self-employed basis. Expect HMRC to look carefully at your status (see pp. 391, 396). If it decides you are, in reality, still an employee, you will be charged tax and National Insurance on that basis. So you may find that the company which you are advising or for which you are a non-executive director insists on paying you as an employee. This may apply even if you regard yourself as self-employed, or whether you regard yourself as an employee of a company that you have set up to handle your business activities.

## Testing the water

The big advantage of toe-dipping is that you carry on earning money from your job while you are starting up. This may be essential if you have no other income, as your business may not make profits for some time.

There are drawbacks to trying out your ambitious business idea without devoting all your time to it. If you are in full-time employment, you will be trying to carry out your business in the evenings or at weekends, when you are tired. The result may be that you give up simply because you are too weary.

The second drawback is closely linked. Because you do not have the time your business idea needs, you will not carry it out successfully; you will assess it as

a failure because it has not achieved what you had hoped. The real reason may be that you have not stoked the fire enough.

The third drawback is that there are some businesses that you cannot start only in the evenings and weekends, because they are not natural business hours for anyone else, although web sites and other communications services can help.

The model way of testing the water is not necessarily to start full trading while still employed elsewhere, but to use your spare time to carry out all your market research and prepare your business plan during this period. When the initial preparation is completed, you should be able to assess whether your business idea will work and have some idea of when you should be generating an income to live on. Now would be the time to cease full-time employment. One possibility at that point is to try to raise some money to fund the business, but obviously this is not a step to be taken lightly.

## Summary

- 1 If you know that you only want spare-time earnings, not a full-time business, choose your business idea carefully to allow you to fit it in with other commitments.
- 2 Older people starting businesses have a number of factors in their favour.
- 3 Think about how you can set up a business keeping the overheads and infrastructure as low as possible. Use modern technology to enable you to do this.
- 4 Starting out with a contract from a former employer gives you a head start in building a portfolio of work.
- 5 Trying to start a business while still in a job can lead to failure. Instead, use the time while you are employed to do the basic research about the market and your likely sales and costs. After this, decide whether to take the plunge or not.

## Other chapters to read

**16** 'Choosing your workplace' (p. 191); **28** 'Tax' (p. 369).



# CHAPTER 3

## WHO WILL BUY?

By now you have probably narrowed down your shortlist of ideas. You may know which market you want to enter; you may have got your eye on a product that you think has potential.

Your potential product may have a vast market, a tiny market or somewhere in between. You can reduce your risk of misjudgement by trying to work out where it falls in the spectrum of demand. There is a philosophy, which many technology businesses adopt, that you can come up with a first stab at a product, known as a 'beta' version; see if anyone wants to buy it and gradually refine and polish in an iterative process until you have a finished product in a clear marketplace with good demand. That's always possible, but you can still reduce your risk and lower the costs and time taken to get your product to market, if you first carry out some crystal-clear thinking about who the product is aimed at and why that person will buy it.

This applies even if you are going to use an online platform (see p. 14) that will market for you, leaving you to focus on your production process, improvements to your service levels and building your reputation through online customer reviews.

If you are planning to launch your business in a big way with ambitious plans for growth, establishing that there is a market, and a substantial one, will be a very important element of any plan that you put together to interest potential investors and backers in your ideas. Market statistics and analysis will make up a significant part of your plan.

A final point is that it is much easier to persuade people to purchase something they already want; educating a market to buy your product if the market has expressed no great desire for it can be a long haul.

## What is in this chapter?

This chapter describes how you can find out about your particular market:

- Who will buy? (see below).
- Why will they buy? (p. 25).
- How much will they buy? (p. 27).
- How will you do the research? (p. 30).

## Who will buy?

Knowing which market and which product is only the start of the work you need to do before you will be able to begin selling. First, you have to research the market. You are not simply looking for lots of statistics to blind potential backers. You need the details to help you to plan your business strategy.

It would be a mistake to assume that you have an equal chance of selling to every customer in your market. If it is that sort of market, it implies that you are looking for volume sales. In turn, this suggests a market that is very sensitive to price levels and in which it is difficult to sort out one product from another. If this is the sort of business you are planning, think carefully. Few small businesses have the resources to make a success of this.

Basically, you should be looking for a niche or a segment in your proposed market that allows you to charge a reasonable price and so maintain reasonable profit margins. To achieve this, your product needs to be clearly distinguishable from the competition (called product differentiation). The devastation caused to particular sectors, such as hospitality or travel, caused by lockdowns during the pandemic should also colour your judgement about sectors. Though, as this has been a once-in-a-generation occurrence, it's probably sensible to think rationally about this, rather than be overwhelmed by emotion.

Your search for a market segment need not be confined to the UK – extend your horizons and see if you can identify a market segment running across Europe or the world. The world has shrunk in the Internet era and even small businesses can sell worldwide. Moreover, an international customer base can

be a big advantage if UK growth is depressed and can benefit if sterling is low against other currencies. However, you need to note the changes that have occurred during the pandemic and the process of the UK leaving the EU in terms of looking at selling your product beyond the UK. Are these changes permanent or temporary?

Once you have sorted out the groups, you must look at the competitive position. Are there already suppliers to that group of people? The existence of competition does not mean that you should not try to enter the market, but it does mean that you need to be able to offer customers some additional benefit in your service or product, and it must be a benefit they want.

For a small firm, a strong attraction of using a market segment approach to sales is that you may be able to achieve a dominant position in that segment. This could mean becoming the market leader, with its attendant advantages of selling more at a higher price (p. 186).

If your business is on a smaller scale (perhaps only yourself or a couple of employees), it still makes sense to look for a niche, because of the advantages of being able to keep your prices above rock-bottom.

There are several different ways of grouping people. You could group people according to where they live, what kind of work they do or what their hobbies are. Other interesting characteristics to identify include behaviour in purchasing. Is price the key factor, for example?

## **What makes a useful market grouping?**

The fact that you can identify a group of people with similar tastes in your target market does not necessarily mean that you have unlocked a source of sales. To be useful, a market grouping needs to have certain characteristics. First, the segment needs to be big enough to give you the living you require. You must also be able to differentiate it from other groups, so that its size can be measured. Another necessary characteristic is that the segment must be easy to reach. If not, you will experience problems getting your message across or supplying the product because of location. Finally, the group must have common features that actually lead to similar buying decisions.

## A step-by-step analysis to identifying market groupings

- 1 Is your target market a consumer market? Or is it an industrial or professional market? If it is consumer, go to 2; if it is industrial or professional, go to 8.
- 2 Look at family and personal factors. Would age, sex, family size or marital status form the basis of different groups?
- 3 Is your product the sort that relies on supplying a local area? Location may be an important feature of a group.
- 4 Look at social class. Could this be important for your product?
- 5 Can you distinguish groups of potential customers on the basis of how much or how little they use or buy your product? Could your product be tailored to appeal to heavy or light users?
- 6 Are there psychological or social factors at work? Could the product appeal to those wishing to 'better themselves'? Is lifestyle important? Would prospective customers be likely to 'follow the crowd' or want to be seen as stylish? Could there be snob or prestige appeal? Would the product appeal to consumers concerned about the environment and climate change?
- 7 Price could be a feature that distinguishes one group from another. Is there an element of value for money in a target group's make-up? Some people go for the cheapest, no matter what. Most customers would say that they want good value for the money they spend. Now go to 12.
- 8 What type of industry will you be selling into? You could specialise in one industry or profession (called vertical marketing).
- 9 How big are the companies or businesses you are likely to sell to? Would you be interested in government contracts (see box that follows)? Size can mean different procedures in buying and frequency of purchasing. Can you create a distinguishing product benefit from the need to satisfy large, medium or small businesses?
- 10 Will one group of potential customers require quicker or more frequent deliveries than others?
- 11 Price could well create different market segments in industrial or professional users.

- 12 Will one group of customers be looking for a higher level of after-sales care or maintenance? Could this be your distinguishing product feature?
- 13 Consider what other categories might apply to your market. Each market will have its own specialised characteristics apart from the general ones listed above.
- 14 Now look to see if there is a group with more than one of the characteristics listed above. This could define your target group.

## What do you know about your likely customers?

To help you to understand your potential customers, and to help you sell to them, you need to know a range of information about them. If it is a business you are selling to, you need to have information on the organisation and buying policies. Investigate the other suppliers to your customers and acquire and analyse information on the products bought by them.

Databases are the key. Set up a database for information about your potential customers and gather and collate as much as you can within the legal limits allowed (p. 173). Interrogating databases will help you to target potential customers more effectively.

## Why will they buy?

Before you can answer this question, you have to find out what your customer wants. What are the benefits and features of a service or product that your target group rates most highly? Research is essential (p. 30).

Once you have the framework of your customer needs, you can begin to vary your service or product with the aim of meeting those customer wants and needs more successfully than any other supplier. There are a number of ways in which your sales package (that is, your product/service plus a range of other sales features of your business) can be altered to achieve the desired objective. These include:

- *Appearance*: what material is the product made of? Does it look stylish? How about the colour? How is it packaged or presented? All these can be changed to match your target customer profile.

- *Delivery time*: if speed or reliability of delivery is important to your potential customers, concentrate on how you can improve or stabilise your delivery times.
- *Returns*: an important element in persuading people to buy online is the ability for purchasers to return the purchased item without quibble and with confidence of getting their money back if they don't like it.
- *Maintenance*: does your target market look for prompt attention to faults? Or frequent maintenance visits? Adjust your strategy to allow for this.
- *Performance*: identify the main requirement – for example, it may be speed, reliability or a low level of noise. This sort of consideration should be taken into account when you specify your product. If it is already past the specification stage, can it be altered?
- *Quality*: this is rather an ethereal topic, as quality can be subjective, existing in the eye of the beholder. Or it can be objective, for example the evenness of the stitching. You can create an impression of quality by building up the image or reputation of the product to suggest this (p. 119). The appearance of quality tends to depend on all the variables of a product: appearance, service, packaging, reliability, performance and so on. You might opt to comply with recognised quality standards, such as those developed by the International Organization for Standardization.

By adjusting your service/product in this way to meet the wants and needs of your target market, you are trying to establish that you have at least one unique feature that your competitors don't. Use this as the basis of your selling message to persuade people to buy. Your target market will buy if you convince them that it meets a need, conscious or unconscious. If your competitors already meet these needs, it is difficult to see what additional benefit your product can offer, but usually there is something.

It would be a mistake to believe that buyers act in a rational way, comparing products and choosing their purchase on the basis of some organised assessment. Even in an industrial market, buyers are affected by a number of emotional factors, sometimes not openly admitted. These can include wanting to be like someone else, to be considered stylish or a leader, or to be liked. Your potential customers may also want the best, a change or to improve their personal standing. They may be trying to outdo the competition or to gain revenge on another person or business. So, if your product can't be differentiated in practical benefits, can it be distinguished in emotional ways?

One possible way you could think about your target market is to consider how it would match up to the range of cars available. Each car model has tried to establish its own niche, and it is possible to categorise your target buyers by the car you imagine they might buy. For example, if your market is likely to buy a Ford Fiesta, you can picture them as young, wanting something cheap and cheerful and not minding the lack of comfort. If it is a Rolls-Royce, your customers are looking for the ultimate in prestige, comfort and specification. A BMW is an executive car, indicating business success and achievement; the car is stylish and luxurious. And so on.

Once you have a mental picture of what your target group is looking for in a car, you might be able to use this picture to adapt your service or product to meet those same needs.

## How much will they buy?

This is the third question that market research should help you to answer. You cannot plan your business unless you have some estimate of how much you are going to sell and when that is likely to happen. You need these data to help you to formulate your sales and cash forecasts.

The level of sales you can make over the years depends on:

- the market size;
- the market structure;
- the market share you can establish (and the competition you face);
- the market trends; that is, whether it is growing, static or declining;
- the investment in time and money to sell your product.

You need to be able to forecast how much you need to put in to get sales established and how long this will take. Many business failures occur because this is underestimated. And many businesses would not start at all if the development period was accurately forecast at the outset.

## Market size

The first step is knowing the market size. This could be either its monetary value or the number of units sold. Beyond this you need an estimate of the market potential, which is unlikely to be the same figure as market size because

it is unlikely that everyone in the market will buy your, or an equivalent, product. Obviously, if you have the figure for the overall market but have decided to concentrate your business resources on a particular market segment, your next step is to assess the size of that particular segment. Even then, this may not give you your estimated market potential (the amount of sales you stand some chance of being able to make over a period of years).

## Market structure

This is the process by which a product is sold to the end-consumer. Market structures constantly evolve, and the world economy has undergone a rapid restructuring with the development of the Internet and mobile devices as tools to sell products on a global basis direct to end-consumers.

A key stage in selling used to be the role of intermediaries – businesses placed somewhere between the end-consumer and the end-producer. Intermediaries include agents, distributors and brokers. But the restructuring of the global economy has squeezed this sector as a distribution channel. Over the past 20 years, distribution has moved away from selling through all these channels: intermediaries, face-to-face and direct mail. Now the main channel is selling direct to customers, either online through platforms or your own web sites, by promotion via social media such as Facebook or Twitter, or direct through the mobile phone or tablet, for example, by using apps.

But not all markets can be reached by direct selling and, although a web site is fairly cheap to set up and easy for customers to use, do not underestimate the work involved in generating traffic to your site and then monitoring and fulfilling orders you receive this way. Small businesses may find that selling through others, or a chain of others, is still a lower-cost alternative. These can include online platforms, see p. 14, though there is a loss of control for you and you may find it difficult or even impossible to get details of your customer because the platform holds onto them.

If you sell through others, you have to pay them a cut of the price you receive from the end-user.

## Market share

To be able to forecast your sales you are going to need some idea of what share of the market your competitors have. You also need information about your

competitors' businesses and products to enable you to position and price your own offering. Knowing the market shares gives you a measure of how successful the other businesses have been.

Many small businesses are likely to face a fragmented supply position, where there are lots of suppliers and one business is unlikely to achieve more than 5 per cent of the market. This is particularly true if it is a new industry or market.

Measuring market share is one thing, achieving it another. But there are some ways of influencing the share you can seize. On the whole, it is helpful to build a reputation for good, consistent quality. For this to be translated into market share, a second influence is maintaining a reasonable level of marketing activity: social media messaging, PR, advertising, search engine optimisation (SEO) if you have a web site, and sales activity. A third influence is if your product is recognised as being ahead of the competition in performance, design or whatever.

Look at your competitors in a detailed fashion. The data it would be helpful to have include:

- What are the competing products and how much do they sell?
- How well have they done in the past few years?
- How is the company organised?
- How is its selling carried out?
- If it produces goods, how is it done and what are the facilities?
- Who are the main customers?
- What is the pricing policy and what sort of delivery is offered?

## Market trends

Market size, market structure and market shares do not remain the same. What happens today may be totally irrelevant to what is happening in one, two or three years' time. The usual method of deciding what is going to happen in the future is to look at what has happened in the past and project it forwards. This approach is fraught with dangers. At the very least, you need to adjust the figures for changes that may occur or are forecast to occur.

On a general level, anticipated changes in the economy can affect the buying patterns of individual markets. There may be changes forecast in tax or other

laws that will influence purchasing decisions. New information may emerge on the effect of certain items (for example, health hazards).

On a more specific level, there may be changes caused by government or local authority policy. And so on. You need to look closely at your market to guess what changes will occur that might affect the market trends. In any conversations with people already operating in the market, remember to ask what likely changes they think are on the cards. You may be better able to take advantage of them as a new entrant with no constraints from existing products, methods of operating or overheads.

## **Investment needed in sales**

You need to make realistic forecasts of how much you will sell, when you will be able to do it and what you need to spend on selling and promotion to achieve it. Inevitably, if you are starting your own business, you are optimistic, but do not let optimism blind you to the uncertainty of making sales.

If you are in any doubt, a rule of thumb is to double the length of time you expect it will take you to achieve a certain level of sales. In this way, you will organise sufficient funds to keep the business going until you reach break-even. The danger of this rule of thumb is that your business may not seem sufficiently attractive to lenders and investors. Keep a balance.

It might be possible to obtain a more reliable estimate of sales by carrying out surveys, online and face-to-face, though this is tricky for a small business.

## **How will you do the research?**

There are a number of techniques for researching a market. The ways open to a small business are likely to be fewer than to a larger organisation, simply because of money. In many cases, it will be you, the owner, who does the research. The basic research methods for small businesses include:

- web research, studying competitors' web sites and looking for market and industry information;
- conversations with customers, suppliers, competitors, distributors and ex-employees of competitors.

## Web research

You have an enormous treasury of information at your fingertips on the Internet. Depending on your area of business, you may find useful information on government web sites, such as HM Revenue & Customs, Department for Business, Innovation & Skills or the Department for Environment, Food and Rural Affairs. Government information for citizens, consumers and businesses is now being channelled through the *www.gov.uk* web site. You can find links to all government departments from this web site. Increasingly government statistical data are being centrally produced by the Office for National Statistics and many previously unpublished government data sets are now available through *www.data.gov.uk*

## Conversations

A conversation can cover anything from a chat at an exhibition to a brief telephone call, to a long face-to-face discussion in private or an online chat. The main point is that you can pick up a lot of information simply by talking, including careful use of social media channels.

Whether you have started your business or not, good sources of information are customers, potential or actual. If your product is likely to be exhibited at trade fairs for the consumer, spend some time there asking about the market and product. Use a brief questionnaire to ensure that you ask the same questions so that the information can be analysed.

Interviewing competitors may sound an odd idea, but there is no harm in it and it can help you to understand what are common problems. If you come across any ex-employees of competitors, it is always worth a discussion, although you have to bear in mind that their view may not be entirely objective if they did not part with the business on good terms. And the information may be out of date.

Before you start your business, you could carry out some discreet research into how competitors organise their businesses by pretending to be a prospective customer. In this way you can gain some idea of the quality of the web offering, prices, the way queries are dealt with (online, e-mail or by telephone), selling methods or even how your potential competitors quote. It may seem unfair, but it is an unrivalled source of information and you may rest assured that once you are in business others will do it to you.

## Summary

- 1** Market research that is undirected is not very useful; it needs to concentrate on who will buy, why they will buy and how much they will buy.
- 2** It is much easier to sell a product that meets some already perceived need rather than to try to educate a market to buy a new, perhaps revolutionary, product or service.
- 3** Look for groups within your target market that you think you can sell to, either because no one is currently selling to them or because you can adapt your product to meet their needs.
- 4** Use the step-by-step analysis (p. 24) to identify a suitable market group.
- 5** Rational and emotional factors affect your target group's willingness to buy. Research these and alter your product or sales approach to match.
- 6** Knowing how much customers will buy is crucial to your business planning. You need to research market size, market structure, market share, the competition and market trends.
- 7** Try to carry out your research in a systematic way so that it can be properly analysed. Use online and social media research, as well as conversations with those in the market.

## Other chapters to read

**11** 'Names and brands' (p. 119); **12** 'Getting the message across' (p. 129); **13** 'Getting new customers' (p. 149); **14** 'Building customer relationships' (p. 167); **15** 'How to set a price' (p. 177).

# CHAPTER 4

## ARE YOU SURE?

Every would-be entrepreneur should take stock before undertaking the final commitment; reassessments are a vital part of the decision process. Are you the right person? Have you got the necessary skills? Will you be able to earn enough to live on? Is your idea the best one?

### What is in this chapter?

This chapter draws together all the key points made in the previous chapters, presenting them in a series of four checklists. This should allow you to reconsider previous decisions to confirm that you are on the right road. The checklists are you (see below), your family (p. 35), your skills (p. 36) and your idea (p. 39).

### Checklist: you

Underline the word in each answer that best describes how you fit each question. You can also ask friends, colleagues or relatives to fill in the checklist about you, so that you can obtain an external view of your character and fitness for self-employment.

- 1 Can you work long hours?  
*(1) Always (2) Sometimes (3) Occasionally (4) Never*
- 2 Do you have persistence and stamina?  
*(1) Always (2) Most of the time (3) Occasionally (4) Rarely*
- 3 Is this business more important than, for example, leisure or family?  
*(1) Completely (2) Much more (3) As important (4) Less important*
- 4 If the business struggled for five years, would you keep going?  
*(1) Yes, easily (2) Yes, fairly easily (3) Yes, with difficulty (4) No*
- 5 Is financial success your main guide to what you have achieved?  
*(1) Completely (2) Mainly (3) Partially (4) Not at all*