

## 10 THINGS TO CONSIDER BEFORE STARTING A BUSINESS

**Starting a business is a long-held dream for many people. Being your own boss can be a liberation, freeing you from working for someone else, and being in charge of your own destiny. Most business owners find that it is much more rewarding than having a job.**

**But before quitting your current job and renting new premises, what are the practical factors to consider?**

### 1. CUSTOMERS

In order to make money from your business you need to have customers: someone must be willing to buy the product or service you provide. You may be leaving a job to go it alone and wanting to take clients with you. You may be starting something new after re-training. Or you may be turning a hobby into a career. Whatever the reason for starting a business, it is vital to have a clear idea about who will buy from you.

It is a common - and expensive - mistake to leave market research until too late in the process. It is more exciting to invest in equipment, materials and stock, or even design a logo, than to do the research to identify your likely customers.

The best way to confirm that you have a customer base for your business is to be selling to customers already. For example:

- You have created an app that has sold well in Apple's App Store – this might indicate that you have the ideas and skills to do it full time.
- You and a friend design and landscape gardens for friends and neighbours - you might find that your reputation is spreading and people are offering to pay you to do the same for them.
- You run evening and weekend gym classes which are getting really popular - more people want to join the classes than you currently have time for.
- You are a qualified professional such as an accountant or surveyor – lots of your instructions come to you personally rather than to your firm, due to the reputation you have built up through networking and marketing.

Whatever sector you are in, you need to be clear who will buy from you, what they want or need, and how you can help them.

Also consider this: why will customers buy from you and not from a competitor? What's your USP?

## 2. START-UP COSTS

How much money will you need to get your business going? It might be surprisingly little, if your business allows you to work from home. This could be with a consultancy, a professional service such as law, accountancy, bookkeeping, or a digital business like graphic or website design. On the other hand, if you are starting a restaurant or shop you may have to invest £100,000 or more, to fit-out the premises and buy equipment.

You should prepare a budget for these costs, and make sure both that you can afford them and that you will recoup the costs within a reasonable period. It is common for new businesses to spend than they earn – to make a loss – for two or three years. They are in good company: Amazon did not make a profit for nearly 10 years, and Tesla is one of the most valuable companies in the world despite losing money every year.

Where will your initial business funds come from? Savings, family and friends, the bank? Don't overlook the possibility of obtaining grants – if you are starting a business or (in particular) creating jobs in a historically deprived area, then grants may be available for equipment, rent and staff wages.

## 3. THE BUSINESS NAME

One of the first decisions to make is what to call your business. Some business names describe what the business does (“British American Tobacco”), some what they stand for (“The Co-operative”), and others are more abstract (“Diageo”). Alternatively you could name your business after yourself (“Marks & Spencer”). Certain words cannot be used without official approval, such as “King”, “Queen”, “Royal”, “Britain”, “Mutual”, and various others.

One point to check is that the name has not already been taken – you can search all existing companies on the Companies House website. You should also consider the future: if you move into new markets or territories, will the name still be relevant? Some companies manage to do this while retaining a name with a local connection: the pension company Scottish Widows developed a UK-wide presence despite its name seeming to limit it to north of the border; and Kentucky Fried Chicken sells around the world, not just in Kentucky.

If you want to take on new partners or investors, would they be happy to join a business named after you? It can happen: Lloyds Bank has done okay for 250 years with the founder's name.

It is worth bearing in mind that you can use a trading name even if the business's legal name is different. This is often done with franchises: you may think you are buying your petrol from Texaco, but in fact it is from ABC Ltd, the local franchisee.

## 4. BUSINESS STRUCTURE

What legal structure will work best for you? The three possibilities are sole trader, partnership and limited company.

A sole trader is an individual person trading as themselves, even if they have a different business name. A business name may be “Speedy Plumbing”, but the legal name of the business is “Mr A Jones trading as Speedy Plumbing”. Most UK businesses are run as sole traders.

A partnership involves two or more people in business together. If you run a business with a relative or friend, you might have a partnership without realising it.

If you are a sole trader or in a partnership you will be personally liable for the debts and liabilities of the business. Your personal assets are at risk, such as your house and your savings. You can avoid this with a limited company structure: the owners of the business (the shareholders) are not personally liable. The maximum they can lose is the investment in the business, i.e. what they paid for the shares.

The business structure makes a difference to your responsibilities, including the paperwork you need to complete. It also affects the taxes you pay and how you take profit out of the business.

It is common for a business to start with one structure and transition to another. Many businesses start with a sole trader structure, and then as they grow and develop they incorporate and become limited companies.

## **5. WHERE WILL YOU WORK?**

The nature of your business will often determine where you work and the premises you need. If you are going to open a café or bar you will need to have a visible presence. The same is true if you run a retail outlet: you need premises where people can easily find you.

If you are in trade (such as plumbing or electrical), your work will largely be done at your customers’ workplace or home, so you may not need your own premises. If you are planning a home-based business, you should consider exactly where you will be working. Will the kitchen table be sufficient or appropriate? Or will you need somewhere more private, to take orders and deal with customers’ queries?

If you are in a partnership or plan to take on staff straightaway, you may need to consider renting or buying office premises. Co-working spaces are an alternative, and tend to be much cheaper.

If you do not need your own premises, but still want your business to have a physical address (that is not your home), you could use a ‘serviced office’. It will also usually offer meeting rooms if required.

Many new businesses make the mistake of rushing into getting premises too early. Is it something you could do once you’re up-and-running and there is money in the bank? Don’t sign up to a long lease unless you really need to.

## **6. MARKETING**

You need to spread the word. You may have a fantastic business, but unless people know you exist, you won’t make a success of it or fulfil its potential. So marketing is a must for any business.

Websites and Facebook pages can be created quickly and easily for free or minimal cost. Depending on the sector you are in, Twitter, Instagram and Pinterest may also be appropriate platforms.

Other marketing techniques which are more old fashioned can sometimes be an after-thought: but don't overlook the effectiveness of local freesheets and directories, and even putting flyers put through letterboxes.

## **7. A PRICE LIST**

How much will you charge for your products or services? This will depend on the local going rate for what you do or offer. You should investigate what similar businesses in your area are charging.

But another factor is what sector you are planning to target. Are your products or services 'value' or 'premium'? This will affect your pricing.

## **8. EQUIPMENT AND OTHER RESOURCES**

Whatever your business does, you will need some equipment. Your tools of trade might be manufacturing machinery, gardening kit, or simply a laptop and printer. You will also need a phone.

Before you start, make a list of everything your business needs to operate. You should ensure that it is all in good working order: you don't want your computer to die on you mid-transaction, or your tools to stop working while on site. Remember to keep receipts for any purchases to offset against tax.

## **9. A BUSINESS BANK ACCOUNT**

It is better to keep your personal business finances completely separate. It is far easier to work out your tax, and also avoid confusion over what is and is not a business income or expense. So a business account is a must.

## **10. DO YOU NEED AN ACCOUNTANT?**

Many business owners handle their own business finances, tax returns and bookkeeping. While this might make sense and seem to save money in the early days, it can also lead to hours of head-scratching and frustration. No matter how numerate and financially-literate you may be, an accountant will likely be able to prepare financial statements (accounts) and statutory returns in half the time that you can. In the long-term, especially as your business grows, you will almost certainly need to engage an accountant.

There is another good reason to have an accountant. They will help you take advantage of tax breaks.

This Guide is for reference purposes only, and does not provide advice for any particular set of circumstances.

For further information, and to discuss your situation with no obligation, please contact us:

[info@feakes-legal.com](mailto:info@feakes-legal.com)

Tel: 01291 639280

[www.feakes-legal.com](http://www.feakes-legal.com)