

Starting Your Own Business

Contributed by Penny

In this article Penny describes how to start your own business using her own personal experiences from the creation of <http://www.squatorange.com/>

Background Information

My husband Steve and I started Squat Orange in September 2002. I'd worked for Abbey National for 17 years in various roles, from network engineer to manager of their cash machine network, branch manager and regional project manager until I was made redundant in 2000. Along the way I acquired a Diploma in Management Studies from Leicester University, and a Further and Adult Education Teaching Certificate. When I was made redundant, I started my own business as an Independent Financial Advisor. Very mistakenly, I believed you could do this honestly, without selling people things they didn't really need – it really wasn't right for me, it felt awkward and uncomfortable, even though I had all the necessary skills and qualifications, so the business venture came to a grinding halt! It was a very useful lesson – make sure you're comfortable with what you're doing. For a while I ran a training company (for someone else) before Squat Orange was born. We had always wanted to do something for ourselves, some of the ideas we came up with were strange to say the least – apple wood chews for animals, household waste compactors, bath reconditioning, cycling tours around the Cotswolds; all sorts of things, but once we had the idea for Squat Orange seemed to take on a life of its own. Three years on, and we're still here. It's tough, frustrating, terrifying sometimes, but we could never ever go back full time working for someone else – not in a million years. I love training and teaching, so to keep my hand in, I teach at a local college – this article is a synopsis of that course. Hopefully, it's very practical article. I hate most business books, sometimes they seem to be written by people who've never actually done it, or they're far too academic, using buzz words and fancy terminology to be clever, or trying to make things clear. I don't find things like that clear, so I've kept it simple.

The full contents will eventually be:

Your suitability to run a business

Personal and business objectives

Your business idea

Market research

The viability of your business - financial issues

Business and the law

Tax issues

This instalment covers the first three items, the others will follow shortly.

Your suitability to run a business When starting any business, it's important to understand what you can do and what you can't do, which will then give you a good idea where you need to compensate for skills/experience you don't have. It's also important to understand your motivations, and issues that may affect those around you. This checklist should help you look honestly yourself and your skills. If there are things you can't do, or real issues to overcome, it doesn't necessarily mean you shouldn't go ahead; you just have to look at ways to compensate. Starting in business checklist

The skills and issues in this checklist are not specific to a certain business, they are important for whatever business you are in. Once you've completed the checklist, it will help you to identify the following important things: skill gaps These are what you currently don't know or know how to do and what you really need to know. You need to identify how you can address these. Maybe a computer course, a bookkeeping course or employ a bookkeeper, learn sales techniques - this may help you – Happy selling guide

Family Issues

Are there problems within your family unit you will need to address, children, support from spouse, financial. You may need to compromise, can what you want to do fit in with your family's lifestyle? Are the rest of the family with you? Are there childcare issues? It is so much better to deal with these issues up front – don't leave it until you're up and running, you may find it very difficult to draw back

How much time and effort are you willing to put into the business will your health effect what you're able to do. No one has a crystal ball, but if there are existing problems, think about what you are able to cope with. If you have issues highlighted in the last two columns of the personal checklist, is there someone around you who can help you overcome them or work with you to lessen the impact they may have?

Personal and business objectives

Income - It is very important that you define at the outset what you want personally from your business, as this will define the scale of your operation. What do you want from it in terms of income, is it a second income with a partner as the main

breadwinner, will it have to support you or you and your family. Is it a well-loved hobby that you'd like to make some income from? Will it be part-time, full-time or worked around another job?

Growth

Do you want the business to grow organically (that's gradually, without forcing it with lots of hype and investment—just like your vegetables!), or do you want fast growth, which requires you to invest often mind-numbing amounts of time and energy, to be totally focused on it? The downside of this of course is that everything else in your life will get put on hold.

Timescales

When do you want to start, how quickly do you need to make a profit, how long can you go on without making a profit? Where do you see yourself in six months, one year, three years, five years? How will it all end? Sounds silly to be looking at the end of your business before you start, but if this is to be your work until you retire, when is that going to be? If you want to retire at 40, or 50 or 70, is this feasible? Will you have made enough money to do this as early as you'd like, or if you want to work until you're older, will you be fit enough to do your chosen trade?

Business Objectives

I loathe the term mission statement – it is such a hackneyed phrase now, conjuring up images of overpaid consultants coming up with clever slogans that mean absolutely nothing! But the concept of having a phrase or short sentence that sums up what you do is very useful to keep you, and anyone associated with you focussed on what it is you do. Ours is “Not just an ordinary t-shirt printer” because we're not ordinary, but we do print t-shirts! From your personal objectives, you should be able to define your business objectives. Make them really specific. For example, an objective could be, “We want to make a profit in the first few years of trading” – too woolly. Better would be “We expect to make a loss of £5,000 in the first year, make no profit, but no loss either in the second year, and have made a £5,000 profit by the end of the third year. It gives you something to aim for, something to measure yourself against, and helps you see whether you are meeting your personal objectives. Another one may be “We want the business to support our family”, again a bit woolly. Perhaps “We need the business to generate an income of £10,000 a year, in order to support our family. You will need to have a clear idea of these figures when you come to do your profit and loss, and cash flow forecasts.

Your Business Idea

Well where do you start? Above all else, it MUST be something you believe in, passionately. You MUST easily be able to find people who want to buy from you – the harder it is to find people, the harder it will be for you to make the business work. It MUST be something people want to buy; at a price they feel comfortable buying it. This isn't as obvious as it sounds.

One technique to check this is to do a pen portrait of your typical customer. A pen portrait is a description which includes their age, whether they're married or single or whatever, where they shop, how much money they have to spend, what they do for entertainment – the more information, the better. If you can't do this really easily, then you need to think about your idea again. If you can't identify who will buy from you – how are you going to find them to sell to them?

Here is a pen portrait of one of our customers: “Emily is 23 years old, single and in work, with a fairly low income, but with some disposable income that she likes to spend on herself. She shares a flat with a female friend. She likes to go out to clubs at the weekend, and enjoys spending money on clothes. She likes something a bit different from the norm, but is not willing to spend a lot on one particular item, preferring a lot of cheaper items. Quality is fairly important, but being seen in something that makes her feel good is her prime motivator. She shops in larger towns and cities where there is a bigger choice of shops to choose from. She tends to be brand motivated and will not wear clothes from supermarkets or well-known value retailers.” You may find (as we did) that you have lots of different core customers – the more the merrier; as long as you are sure they really are your customers.

Your business idea must be unique in some way. That doesn't mean it has to be completely different than anyone else, but it must have something to offer. Is it cheaper, better value for money, more exclusive, completely new, sold in a different way, more ethical, easy to access, better service? In other words why should someone buy your product rather than another one? People have so much choice on how to spend their money, why should they choose you? Answer this question honestly – if you can't, then your potential customers won't be able to either, and will go somewhere else that can. How are you going to get your product or service to your customers? Are you going to open a shop on a high street, mail order, on-line, a catalogue, markets, wholesale, or a combination?

Once you can answer all these questions in a positive manner, you have the beginnings of a good business proposition, now you need to find out if it has a chance of working in the real world. To be continued.....

Take a look at Penny's own business at <http://www.squatorange.com/>

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