



Girlfridayz

Business support to sole trader & SME's

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7 Factors you need to know before starting up your business

If you're thinking of setting up a small business, it's essential that you know exactly what's involved.

Our seven-step guide covers everything you need to consider when launching a start up and running your own business.

Launching a new business can be daunting, but nearly half a million new businesses start up in the UK each year, with many operating successfully and profitably.

Setting up your new business involves lots of tasks, so it helps to have a working plan for everything you need to do before you start.

The seven factors of creating a business

[Business idea](#) – Spend time carefully thinking through your business idea to ensure it's feasible

[Assess your situation](#) – Understand what commitments running your business will involve

[Business plan](#) – Create a detailed plan for your business, including how it will generate money

[Research your business](#) – Research potential customers and competitors

[Register your business](#) – Choose the right business structure

[Sort business finances](#) – Decide if you need external investment or a small business loan

[Get business advice](#) – Learn where to find business advice and mentoring

Whatever the reason for setting up a business – from being your own boss to turning a hobby into a business – here are the steps to follow to give your start up the best chance for success.

Step 1. Get your business idea right

Business ideas can be based around brand new products and services or providing a service or product that's cheaper or better than competitors. Not every business idea just strikes you out of the blue, so if you're struggling for a good concept to build your new business around, start by brainstorming lots of ideas. Concentrate on identifying what people want and the issues that they face, then think about ways of solving their problems or satisfying their needs.



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Virtually all businesses have some form of online presence, so when you think about how to start up your own firm this should be at the forefront of your mind. In 2015 [77% of UK Internet users](#) made a purchase online, so you should be thinking about this from the start. Online businesses are easily scalable and can be tested before fully committing yourself. The most popular forms of online company models are stores, advertising, subscription, and brokerage.

Step 2. Assess your situation

Consider carefully whether you have the time and flexibility to start a business. Will starting a business fit in with family and other commitments? Will you run it full time or part time alongside another job? Answering these questions will help you choose the right type of business for you.

Launching and growing a start-up takes time, challenging work and resilience, so it's important to be realistic about your situation. If you are running a business part time, for example, you may need to consider employing staff to help you when you're busy or to take on the less demanding jobs.

Perhaps circumstances will mean that you want or need, to work from home. Businesses that you can run from home include childminding, selling cosmetics, tutoring, selling products and web design.

Step 3. Plan your business

Create a detailed plan for the first five years of your business, including your strategy and marketing plan. [Planning your business](#) lets you understand business assumptions – how many customers you'll need, how much you need to charge, and how much the business will grow. Those assumptions can be tested when researching the market to check they hold water.

In your business plan, describe the market and your target audience, and outline your competition. Plan your pricing, production costs, marketing, and advertising spend so you can roughly predict your profits. Learn more about [market research for small businesses](#).

Don't think of a business plan as a rigid document – markets can change, and you'll need to be flexible – but it's an effective way to keep your business organised and on track. You can predict where you want your business to go and when, or indeed if, you'll need to expand operations. For example, you may need to hire staff in the future or rent office space.

Planning your business is a fantastic way to foresee potential pitfalls. Many start-up businesses don't succeed in the long term, but by creating a detailed plan you will help to ensure the validity of your business and increase your chance of success.



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You'll also need a comprehensive business plan if looking for a business loan to finance your start up. [Download our business plan template.](#)

Steps to creating an online company:

Come up with a business idea, name and plan: this will involve extensive research to find out what people are searching for, and therefore the likely popularity of your idea. Is it something people are looking for? Is it unique? What are the competitors doing?

The name should be easy to recall. One way of narrowing down the options is to brainstorm a few ideas, and then see if you can register the domain name at the same time. Try to find something that contains your business name and check that it is available. Aim for .co.uk or .com if possible.

Host your business online: Find a reputable web hosting company. You can do this for free, but it might benefit you to use a company such as GoDaddy and pay a small amount per month to help you in the early days. The reason for this is that the host can help you grow and scale upwards if and when you wish to progress to the next level.

Create a business website: The key to an SME is not to spend more than necessary. You'll probably want a website with all the bells and whistles, but that can come later. As long as it looks good and performs basic functions well (i.e. you can take orders), that will suffice for the start. Save your money for marketing and running a good company.

Know the regulations: These include The Sale of Goods Act 1979, the Supply of Goods and Services Act 1982 and the Consumer Contracts Regulations. You can find more detailed information about [online selling regulations](#) at Gov.uk.

Find out more about [setting up an online business](#).

Step 4. Research the market

[Research](#) is vital when it comes to understanding your target market, your competitors and your industry. The results of your research will shape your business structure, resources, customer demographics, and pricing.

Interview your target audience to test if your product or business idea creates interest. It's best to ask people you don't know, as a personal connection may prejudice the answers. Focus groups are an effective way to get feedback on your product and service: select a small group of people based on certain attributes – for example, age, career, gender – that you think matches your target audience. Alternatively, ask potential customers to fill in a survey online or visit potential customers to discover what they would like to see from your product or service.



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Be sure to research your competitors too; you're looking for a gap in the market that your business can fill. Go through their ordering service – how did they deal with you, how much did they charge, and how would you improve their service? Consider how your business can stand out from competitors. For example, if your competitors are well known chains, you may need to offer something different to make your business more appealing.

Start-up businesses which have researched their idea and market are more likely to succeed as their business model will be more feasible.

Step 5. Choose a business structure

Once you've decided on your business concept and business name, you'll need to register your business. There are different business structures you can use – from setting up as a sole trader to registering as a limited company. All have their pros and cons, so it's worth ensuring that you choose the best structure for your business.

Setting up as a sole trader – Most start-ups are registered as sole traders as it's the easiest and cheapest way to start a new business. You must register with HM Revenue and Customs as soon as possible after starting your business. Find out how to [set up and register as a sole trader](#).

Setting up as a partnership – If you plan to work alongside people you know well, for example with your spouse or a relative, you may want to set up as a formal partnership. With this business structure, you share responsibility for your business with your partners and must agree on how liability and profits will be shared. A business partnership is unlimited and so is different from a limited liability partnership.

Setting up a limited liability partnership – This is essentially a business partnership combined with a limited liability company. This means, like a limited liability company, you're responsible for business debts only up to the amount you invested in the partnership. Your tax situation is, however, the same as with a business partnership.

Setting up as a limited company – A limited company is a private company owned by its shareholders, where you as the owner are responsible for business debts up to the value of your shares. The limited company's finances are separate from your own, and tax is more efficient for a limited company than for a sole trader. You'll have to submit full accounts and pay Corporation Tax every year. Profits from a limited company can be drawn as a salary or as dividends and you'll have to pay income tax on this too.

The advantages of forming a limited company include the fact that liabilities such as debts or legal action are limited to the company, meaning that you are protected from going personally bankrupt



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in the event the business fails. Limited companies can appear more professional, and they're also easier to sell on should you wish to change direction in life later.

Setting up a limited company – the steps:

Choose a name: There are certain restrictions on what you can choose as your name. For example, it cannot be too similar to other company names. Search the [Companies House Register](#) to find out more.

Choose company officers: All limited companies must have at least one company officer who is responsible for the business at all times. These manage the company in accordance with its articles of association and the law and ensure annual accounts and annual returns are completed. Larger businesses might also require a company secretary.

Register the limited company: You can either do this yourself at Companies House (which takes 24 hours) or use a company formation agent. You'll need a registered office address and several other registration documents including a memorandum of association which details directors and shareholders' details. After you've registered the company, you'll be sent a certificate of incorporation confirming the company's existence and you'll be expected to meet certain requirements such as submitting your company's annual accounts.

Find out [how to set up a limited company](#).

Step 6. Assess your finances

Starting a business can be costly so it's important not to overspend. Aim to keep costs to a minimum and spend only on important things that are likely to result in more sales.

Many new businesses require finance when first starting. To apply for a business loan through a bank, you must be a UK resident, plan to start a business and not be bankrupt or in debt. Angel investors are another fantastic way to raise finance and have helped companies including Google and Yahoo. However, they typically require around 25% return on their investment. Alternatively, you can source from the Start Up Loans Company. You can borrow [up to £25,000 as an unsecured loan](#).

Find out the [difference between a secured vs unsecured business loan](#).

Step 7. Get help starting a business

Finally, before you take the plunge, seek advice and guidance in starting and running a small business. Business mentors can offer tailored advice suited to the type of business you're running.



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There's plenty of help available, from mentoring networks to government schemes. Girlfridayz offer business mentoring and support