

STARTING UP A NEW BUSINESS
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Every day more and more people choose the route of starting a small business. With the days of “having a job for life” firmly behind us now, the online environment is helping to transform initial thoughts of business start up in to a more realistic goal which an ever increasing population can attain.

Reasons may vary as to why an individual might choose to become self-employed. Some might surmise that the forecast for their current and future working prospects look disappointing and fail to provide both the rewards and stimulation they require. Others may seek to develop an idea and arrange their business start-up in a way which works in harmony with their family life and provides the flexibility which their employed status lacked.

Choose the right name for your business. Your business name should be unique and easy to remember, and should describe the products and services you provide.

If you decide to start a new business, you will need to spend some time developing your business idea. One of the greatest advantages of being an entrepreneur is being able to work on something that interests you and that you are passionate about. Unfortunately, passion does not always translate into profits.

The more information you can gather about the potential demand for your product or service, about your competitors, about the needs and wants of your prospective customers, the more successful you are likely to be.

Before starting a business, you need to evaluate your idea and determine what your chances of making a profit from that idea are. This document lists some things that you should consider and provides links to additional information to help you assess your idea.

Great ideas can only translate into a successful business if people are willing to pay for the product or service.

- First, you need to identify who the target market is for your product. Are you planning to sell to young people or seniors? Is your product primarily for women, men or both? Are you going to sell to individuals, other businesses or to the government? What income level would people need to have to be able to afford your product or service?

- Once you know who you are going to sell to, you should consider doing some market research to find out if your target market would be interested in buying your product or service and how much they would be willing to pay for it.

- If your product or service is something people would be interested in, but not willing to pay for, you can consider alternate business models. Some businesses, in particular in the service industries, offer their service for free or at a low price, but are able to make money through other avenues, such as advertising.

Once you find out who your customers are, you will need to look at who else is selling similar products and where they are selling them. Will you be competing with a product that has already been marketed? If your idea is a consumer product, check stores and catalogues or visit trade shows to find out what other products are available and what companies market them. You need to determine why customers will buy from you and not from your competitor. Is your product superior or is your price lower than other businesses? The best way to do this is to conduct market research using existing data or by doing your own survey.

So you want to start your own business. What sort?

Sole Trading

The simplest and most common way to set up in business on your own is to set up as a sole trader. You need to notify HM Revenue and Customs (HMRC). Tax is rarely simple, but if you are going to set up in business, being a sole trader is probably the most straightforward route for income tax, and it is relatively easy to set up and shut down. Financing it on your own can be difficult, and you are liable for everything if you get into debt, so your personal assets can be at risk.

Partnership

Partnerships can have full partners or sleeping partners. Working this way means that you can have more start-up money, more skills, and there is usually shared responsibility - if you are sick someone should be able to take over your work temporarily. The downside is that if the business fails and one partner runs off, the other partner has to pay all the creditors back on their own, although these days there is the option of a Limited Liability Partnership (LLP) which could help reduce some of the risk.

Limited Company

These are the businesses with 'plc' and 'ltd' after their names. Setting one of these up means there is limited liability, so your personal assets can be separate from your business assets in most cases. You need at least one director in order to register the company. Then you have to provide the following details to the Registrar of Companies: your company name, registered office, shareholders, directors, and company secretary. It is more legally complicated than sole trading or partnership, taxation is different, and there is public access to accounts.

Cooperative

All workers in this set-up are entitled to a vote in decision-making, and profits are shared out equally. The amount of discussion in meetings often makes it difficult to have clear-cut plans or quick changes of direction, and group ideology may mean that the most financially rewarding options are not chosen.

Going Concern

Instead of starting a business by yourself, you can buy one that is already up and running. The assets, employees and customers are already in place, and a track record often makes it easier to raise finance. Don't believe everything the business seller and broker tell you, get all the facts checked independently, and make sure the business will pay you a living wage.

Franchise

This is where you buy the right to market a company's goods or services. A good franchise gives an instant market position, a well-known name, long-term support and a proven way of doing business. To check out a franchise opportunity, speak to franchisees in other areas about the business and the income - it may not match up with the figures you were originally quoted.

Social enterprises

Businesses distinguished by their social aims. There are many different types of social enterprises, including community development trusts, housing associations, worker-owned co-operatives and leisure centre.

Every business should have a realistic working business plan – and it's essential when you're starting up a business. It's used to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities. It doesn't need to be a scary document that you take months to write. However, some banks, investors, or other funding bodies will insist on a well-written, concise Business Plan on which to base their decisions, so in that sense, it's a very important document.

A standard business plan will contain the following:

Executive Summary. Write this last. It's the summary of the document.

Company Description. This details how and when the company was formed.

Product or Service. Describe what you're selling.

Market Analysis. You need to know your market. Establish the need for your product and why people need it.

Strategy and Implementation. Be specific. Investors love this stuff. They need to know you have a clear plan of attack.

Management Team. Include backgrounds of key members of the team.

Financial Plan. Include a profit and loss account, cash flow breakdown and a balance sheet.

Make no mistake, writing a business plan can be a daunting prospect, but it doesn't have to be great the first time around. A business plan should be revised throughout the business' lifetime — it's not just for start up businesses.

The right name can be an effective advertising tool that can help your customers understand what your business does and the market you are targeting. The wrong name can confuse or drive away customers:

- A short name is easier to remember.
- Naming a company with your own name does not tell prospective customers what you do. Consider choosing a name that will help people understand what your company sells.

- Choose a name that will fit the image you want to project. You will want your name to connect with your customers and create an image they will know and trust.

- Try not to use abbreviations (for example, ABC Company) for a small business unless you have the marketing budget to make this name memorable.

- Make your name distinctive enough to separate you from your competition.

- Choose a name that is not already in existence. Many names are protected under trademark protection or as federally incorporated companies.

Before deciding to buy a business, you should evaluate the condition and potential of the business. You will need to consider:

- Are the building, equipment and inventory operational?

- Does the business have a good reputation?

- How visible and easily accessible is the business? Are the products or services generating revenue? Are sales increasing, decreasing or are they flat?

- Is there a good working relationship with the suppliers and the bank that the business deals with?

Entrepreneurs often report that getting financing is the most challenging aspect of starting a business. There are both government and private sector sources of financing that you can tap into to get your business off the ground.

Government departments and agencies provide financing such as grants and contributions, subsidies and loan guarantees. Find out what government financing might be available for your business. Use the search tool or browse by type of financing.

Private sector lenders and investors provide financing in order to earn a return on their money. They decide whether to provide your business with financing based on an assessment of the risks and potential reward in doing business with you. The way that private sector firms will assess the risk and reward of providing you with financing depends on their business model and the type of financing that they offer.

Never stop learning. Running your own venture is a constant learning curve. You must stay dynamic if you are going to stay ahead of the competition. Keep up to date with what is going on in your chosen field and mix with as many different business people as you can.