



Starting a business

A guide for clients

What you need to know before launching a startup.

Britain is a nation of fearless entrepreneurs, but the likes of Richard Branson and James Dyson didn't go from rags to riches instantly.

Branson needed a £300 loan to get his magazine up and running after dropping out of school at the age of 16, while Dyson produced 5,167 prototypes before inventing his vacuumless dust-buster.

In fact, Government statistics revealed that more than half of businesses founded in 2011 had folded within five years, so the lesson here is to think before you decide.

If you have a bright idea and have spotted a gap in the market, you'll need to test, prepare and assess the risks and opportunities to give your new business the best chance of survival.

Testing your idea

You won't be starting on this journey unless you believe your idea is a winner, and testing your idea can save you time and money if things don't turn out as planned.

Conducting market research before starting your business will enable you to gauge interest in your product or service and how much consumers may be willing to pay for it.

Living in an increasingly digital age means you can do much of this online. You could visit the websites of potential rivals, trade groups or industry publications for useful statistics.

It's also an idea to identify your ideal customers – those who may be interested in buying your product or service. Think about their needs and habits.

If you have the cash at this early stage, you could hire an objective market research expert who will give you an unbiased assessment based on established techniques in your industry.

Writing a business plan

Once you've conducted market research and selected a business structure to suit your needs, the next stage is to come up with a business plan.

A good business plan will help sell your idea to investors or banks, while also enabling you to think through every detail to plan for every eventuality.

Considerations include what your business will sell or supply, its structure, how your products will be sold and how much they will cost, short-term and long-term targets and timelines for meeting them.

Where possible, analyse your customers and competitors. Who are they? Where are they based? How does your product differ and appeal? How do you attract these customers?

You should also factor in any financial forecasts – such as profit and loss, projected sales, cashflow – and any marketing or contingency plans.

Business plan essentials

1. What the business will do or supply.
2. The structure of the business.
3. How the products or services can be accessed or purchased by customers or clients.
4. Long and short term objectives and financial benchmarks.
5. Timelines to meet your objectives.
6. How you will price the business' products or services.
7. Customer analysis: who they are, where they live, what they do, whether the product or service is an essential or a luxury, why they should purchase from your business.

8. Competitor analysis: who they are, where they are located, what their pricing is, where they attract their customers from, how they market the company.
9. The location of your business.
10. A marketing plan.
11. Financial forecasts including profit and loss, sales projections and cashflow.
12. Contingency plans.

Where do start-ups incur costs?

- Advertising, marketing and promotion
- Communications and infrastructure
- Cost of finance
- Equipment
- Insurance
- Office supplies
- Professional fees
- Product development
- Transport
- Website and technology
-

Naming your business

With millions of companies registered, naming your business is not as simple as it sounds as your business's name cannot be the same as another registered company's name.

Come up with a shortlist of names and order them in terms of personal preference before checking that no other business is operating with the same name.

You can do this by checking the [Companies House name register](#).

It's also wise to check that a suitable web domain is available, so you can set up a website to act as a business card or an online sales portal for potential clients to buy your goods or services.

If you're planning to market or sell products globally, it's important to check that the chosen name for your business does not mean something different in another country.

You should also check that the name you have chosen is not trademarked, and does not resemble a trademark.

There are also certain words or phrases [you cannot use in company names](#).

For instance, those suggesting endorsement by the Government are banned, while others, such as 'optician' or 'architect', are restricted for use by people with the appropriate technical qualifications.

Selecting a business structure

In 2017, there were around 5.7 million private sector businesses registered in the UK. Sole traders accounted for around 60% of that figure, with the rest of those businesses being companies or general partnerships.

If you opt to become a **sole trader**, you will run your business as an individual and be entitled to keep all of the profits it makes. You'll also carry the can for any losses it makes.

You must pay income tax and national insurance contributions (NICs) on any profits by completing an annual self-assessment tax return.

Despite the title, sole traders can employ people.

You may also need to register for VAT if your profits are likely to exceed £85,000 a year in 2018/19.

General partnerships and **limited liability partnerships** define the partner's liability for debts the business accrues. Profits are shared between partners who are responsible for paying tax on them in an agreed ratio.

Partners in a general partnership can be personally responsible for a partnership's debts and are responsible for managing the business.

In both types of partnership, the individual partners are taxed in the same way as if they were sole traders.

With a **limited company**, the finances are separate from your personal finances, so your personal assets will usually be protected if your business gets into trouble without breaking the law.

As a limited company director, you must register it with Companies House, provide statutory accounts, send Companies House a confirmation statement, and complete a company tax return.

As a director or shareholder of the company, you will not be personally taxed on the profits of the company which you do not extract.

Much like a sole trader and a partnership, you will have to register for VAT if your annual turnover exceeds £85,000 in 2018/19.

Directors are responsible for running the company and shares in it can be owned by a number of people.

Most limited companies are limited by shares meaning that the shareholders' financial liabilities relate to the value of the shares they own but have not paid for.

A private company limited by guarantee is a company where the directors or shareholders financially back the company up to a specific amount if things go awry.

A public limited company's shares are traded on the stock market.

We can give you impartial advice on the best legal structure for your company.

Consider the franchise model

While there is an upfront cost when buying into a franchise, you have the advantage of buying into the expertise of the franchisor. You will need to research which franchises might be appropriate for you but there are always a wide range available.

Franchisors offer varying services and so research, particularly talking to those who are experienced in franchising, is important. Maybe you could arrange to talk with those who are operating a franchise in which you have an interest.

There are more than 900 franchises available in the UK, which together turn over more than £13 billion and employ more than half a million people. The British Franchise Association reports that 91 per cent of franchises are profitable, which means that nine per cent are not. Careful planning is essential as your investment is at risk if the business fails.

Managing your business

How you manage the first 100 days of your startup will go a long way to determine how successful a venture it ultimately is. Below are some areas to consider.

Business insurance can protect you against mistakes, damage to stock or premises, and legal costs. Some policies can even protect against business interruption and supply chain breakdown.

Have a **medium-term goal** and stick to it. These should support your long-term visions for running a successful business and usually last between three and five years.

Pay attention to customers early on. Using social media platforms is often a constructive way to do this, and should set the tone for how you handle all **customer feedback**.

Keep track of the exact amounts of money flowing in and out of your business. Keeping digital records is a useful way to do this, and will help you understand your business's **cashflow**.

Forecasts play a vital role in managing your business, with **sales forecasts and profit/loss forecasts** covering most of your business's income and day-to-day costs.

Late payments are the scourge of entrepreneurs. This has a significant impact on cashflow, but there are things you can do to encourage customers to pay on time.

Be upfront about your payment terms and conditions from the start, including your right to claim interest on invoices or issue charges in the events of late payments. You could even offer a discount for fast or early payments.

As well as ensuring you have the right money coming in, you'll need to be aware of your **spending**. Look at where you're spending the most money and how you might be able to make savings.

For example, assessing your stock can help you focus on how long it takes you to sell stock on average, and where the majority of your profit comes from.

Another area to think about is the **tax** your business is paying, and whether you're taking advantage of any reliefs or allowances.

If you are eligible for these or other reliefs, our experts can apply them ahead of the tax year to make your business more tax-efficient.

How we can help

We aim to make sure you are as successful as possible and, with careful planning and the right advice, we can help you earn more and pay less tax.

Viewing us as your business adviser, as well as professionals trained in traditional accountancy and tax compliance, could boost your company's bottom line. We are experienced at guiding businesses through the start-up period and, as well as advising you on what to do, we can give you some tips about what not to do.

As well as taking care of your routine accountancy duties, we can also give advice on budgets, profitability improvement and operational procedures.

Other services we can offer:

- Developing your business plan
- Helping you identify sources of start-up funding
- Preparing budgets and making projections
- Acting as a referral source to help you find a solicitor, banker or insurance agent
- Devising the best structure for your business and advising you on when to incorporate
- Advising you on the acquisition and implementation of a computer system and software.

Contact us with any questions you may have about starting out in business. Contact [Andy Oakes](#).

FOR GENERAL INFORMATION ONLY

Please note that this guide is not intended to give specific technical advice and it should not be construed as doing so. It is designed to alert clients to some of the issues. It is not intended to give exhaustive coverage of the topic.

Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein.

About Us

Professional, Personal, Affordable.

We are one of the leading, independent chartered accountancy practices in Liverpool. At BWM we provide a wide range of accountancy and business support services to organisations and individuals throughout the North of England and beyond. Our experienced and skilled partners and their teams are ready to support you with high quality, individual yet affordable services however complex your personal or business needs.

For more details of how we can help you transform your organisation, please visit www.bwm.co.uk or call us on 0151 236 1494.