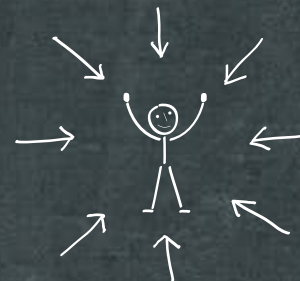


Big Ideas
Wales



Llywodraeth Cymru
Welsh Government



?

BE YOUR OWN BOSS

The young entrepreneur's
guide to starting a business

Whether you are thinking about business for the first time, or you have an idea that you want to develop, this guide will help you keep on track and think through the challenges of starting a business.

Part of the Welsh Government's Business Wales programme, Big Ideas Wales is the first stop for young entrepreneurs and supports young people through online resources, business skills workshops and one to one sessions with an adviser to help make your ideas a reality.

Register your details online at www.bigideas.wales to keep up to date and join our network to learn from other entrepreneurs. Interested in taking your business idea forward? Ask about our Bootcamp to Business.

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Have you got what it takes to start your own business?



If you are thinking of starting your own business, you're not alone. Lots of young people dream of becoming their own boss and have ideas for their own business – and many of them are starting on that path right now.

Money is not the only motivating factor. It's about doing something you're passionate about, creating the life you want and building something you can be proud of.

THE SWEET BENEFITS OF STARTING YOUNG

- T Time** You've got years to build a successful business
- O Optimism** You believe you can make it work
- F Freedom** You don't have anything holding you back
- F Flexibility** You're prepared to try something new and take risks
- E Energy** You're willing to put in the hours
- E Enthusiasm** You have the ambition to succeed

Did you know?

70%

of working 16-24 year olds say they would like to be their own boss at some point in the future (Wales Omnibus Survey, 2016)

The PROS and CONS of working for yourself

You make your own decisions and manage your own time
It's your dream, not someone else's
You get the rewards when your hard work pays off
You are taking your career into your own hands

Your earnings will be irregular
You won't get paid for holidays or sick leave
You may miss the office social life
You will have to work long hours



The recipe for success

Passion

Successful entrepreneurs are often described as being "passionate" about their business. But what is passion? It's about your emotional investment; it's about believing in your idea 100%. And your enthusiasm is infectious – it will persuade others to support you and buy from you.

Persistence

Nothing comes easily in business and no one gets everything right first time. The qualities that make successful business people stand out from the rest is their determination and persistence – even when there are setbacks.



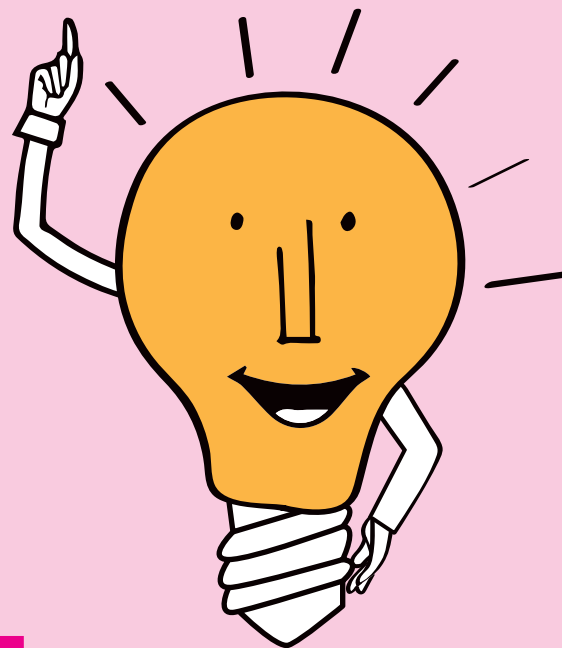
When should I start?

Starting a business is a **step-by-step process**. There's no time like the present to take the **first step...**



"Start your business now. Don't wait until your course finishes, or for when every little piece of paperwork is in place, believe in yourself and in your idea. Start now."
Steve Dimmick, doopoll

Coming up with a business idea

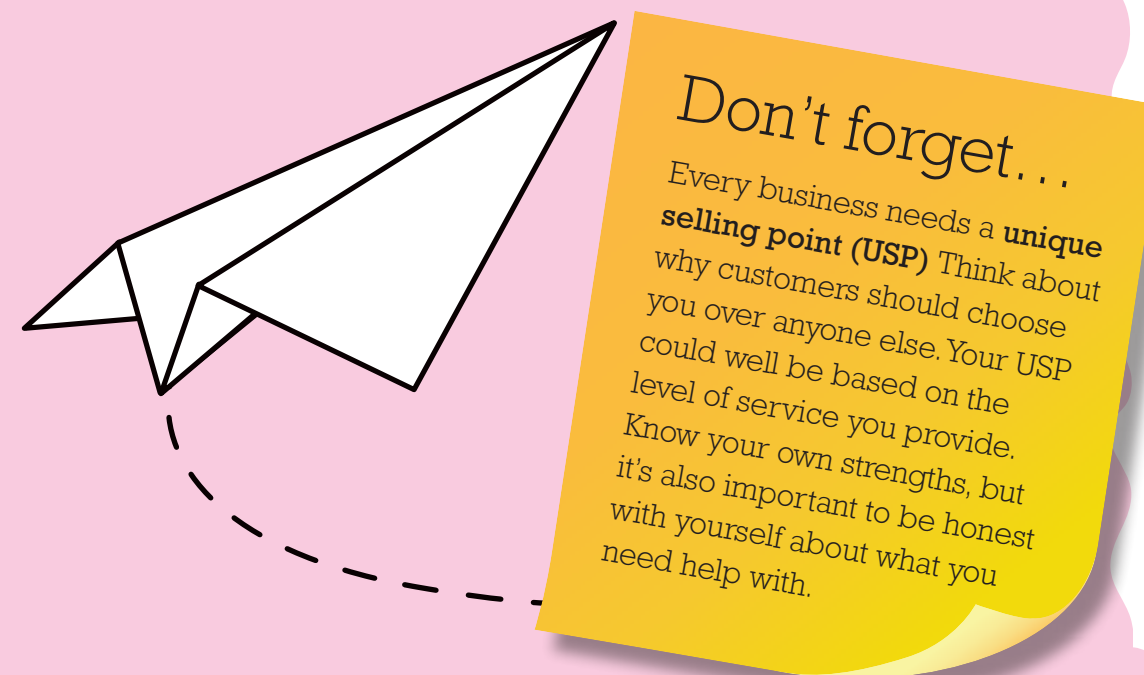


HOW DO YOU KNOW IF YOUR IDEA WILL FLY?

- Come up with an **elevator pitch** for your business – that sums up your idea in a couple of sentences
- **Try it out** on people and see how they react
- Use their **feedback** to create a profile of your target customer
- Is there enough **demand** for what you are offering?



“Find a gap in the market, develop a niche, never compete solely on price and most importantly believe in yourself. If you have done your research, know your market and product you can find the support and skills you need to make your idea a reality and then make that reality a success.”
Helen Walbey,
Recycle Scooters



Don't forget...
Every business needs a **unique selling point (USP)** Think about why customers should choose you over anyone else. Your USP could well be based on the level of service you provide. Know your own strengths, but it's also important to be honest with yourself about what you need help with.

Not every business starts with a “eureka” moment. The truth is that most successful businesses are not based on an amazing invention or a radical new idea – they are simply better versions of what's already out there.

Your business idea has to fit your skills and personality and have the potential to make money. Here are a few things to consider that could help you decide what to do:



1 What kind of work suits you?

List some of the things that make you you. Are you creative? Organised? A people person? Are you good with paperwork or better at making things? Do you prefer working alone or as part of a team?



2 What are your hobbies and interests?

Almost any interest that is shared by others can be turned into a business. If you love what you do, you'll enjoy it more and you'll be better at it too.



3 Do you have a skill that's in demand?

There are always skills that people are prepared to pay for – whether you are a great cook, a website designer or a bike mechanic.



4 Can you spot a new opportunity?

Opportunities are out there – you just have to recognise them. Is there a new demand for a particular product or service? Or has a business closed in your area leaving a gap for you to step into?



5 What hurdles do you have to overcome?

Think about the things that you struggle with. This could include anything from dealing with people or negotiating to managing your time. Does this change your plans, or can you tackle areas of weakness or fill gaps in your knowledge?



6 Can you solve a problem?

Anything in life that doesn't work well or is in short supply could be the basis for a successful business. Listen to others when they complain about things – common gripes often spark a new business idea.

Turning your idea into reality

So you've got a great idea for a business – what happens next?

The chances are you've got more questions than answers at this stage. To move forward there are lots of things you'll need to find out – and a few decisions you'll have to make.

Dealing with doubts...

It's natural to have doubts at this point. Don't let them hold you back – but don't bury your head in the sand. Now is the time to gather information and challenge your ideas until they are more refined.

What happens next?

Your business isn't a business until you make the first sale – and it can take considerable time to get to that point. This planning process will be crucial to the success of your business.



5 THINGS YOU CAN DO RIGHT NOW

- 1. Assess the demand for your idea**
Talk to potential customers and ask them about their needs. Really listen – what they say may well change your mind on a few things.
- 2. Improve your skills**
Sign up for a course and get better at the thing you want to do, whether it's website design or jewellery making.
- 3. Build your business know-how**
Learn about finance, marketing, the legalities of starting up. There are plenty of short courses and workshops to help – this is also a great way to meet others in the same situation.
- 4. Get some experience**
Go and work for someone else for a few months. You will learn how the business works, what customers expect and – most importantly – what you could do better.
- 5. Try it out**
Start small and test your product in the marketplace to see if the demand is there. This also allows you to gather feedback and work on your business whilst you are still in education or working.



IT'S TIME TO DECIDE

1. What kind of business will it be?

There is more than one way of running a business. How will you run yours?

First – who are your customers?

- If you sell to other businesses, you're in business to business.
- If you sell to people, you're in business to consumer.

Now think about your business model

- Will you sell products or services?
- Will you sell online, face-to-face or via a retail outlet?
- Are you planning to set up a social enterprise that supports a cause or local community?
- Do you want to buy a franchise – such as a branch of a pizza chain or gym?
- Or, do you want to sell to people directly, in their own homes?

2. What kind of business structure will work best for you?

Sole trader

If you are planning a simple cash in-cash out business as a freelancer or one-man-band (also known as self-employment).

Limited company

If you want to take advantage of better tax breaks, reduce your financial liabilities and/or plan to employ staff.

Partnership

If more than one of you want to set up in business together it's common to set up a partnership.

Could you be a 'social' entrepreneur?

If you want to start a business to bring about social change or to support your community you may be a social entrepreneur.

A social enterprise reinvests any profits back into the business or community, rather than maximising profit for shareholders or owners. You need to understand the options and alternate legal structures of running a social enterprise. Learn more about social enterprises by searching online for Social Business Wales.



Face your fears

Starting a business can be one of the most exhilarating experiences in your life – don't be put off by nagging doubts and fears such as:

- **Failure** – mistakes are inevitable, starting a business is a real learning experience. If it doesn't work out, so what? Listen to advice, learn from mistakes and try again. You will never know if you don't give it a proper go.
- **Money** – you have to do the math! Use the advice on "bootstrapping" in part 9 of this guide to minimise your risks.
- **Fear of the unknown** – probably both exciting and scary! You can minimise this fear with a clear focus and a willingness to adapt if things aren't going your way.
- **It can be lonely at the top** – you call the shots but seek out trusted allies in your advisers, mentors and critical friends. Read books by other entrepreneurs and learn from others.



Case Study: Gorjys

How long does it actually take to turn an idea into reality?



The Gorjys Secrets Festival is a showcase of north Wales food, drink and artistic talent put together in just 12 weeks by a group of entrepreneurs. But this was only possible because Gorjys' founders spent years honing their entrepreneurial skills in other businesses.

One of their directors, Tansy Rogerson, owns Armadillo Events, which she started in 2014 with a few battles along the way: *"When you're first starting up, it's the 'small' things that can be frustrating; my business name, web domain and finding the right accountant took months to nail down. I wanted to change the world immediately, but that doesn't happen."*

Fellow director Gavin Mart was an entrepreneur from childhood and branched out into music in his twenties, creating event companies, community organisations and charities: *"What I've discovered over the years is that the lead-in times needed to set up ventures reduce as you pick up more entrepreneurial skills."*

Gorjys director Jonathan Hughes set up Great Orme micro-brewery in 2006. It took two years to brew his first beer and another three to employ staff, but his patience paid off: *"There are now seven of us full time, and Great Orme is expanding as a brand across the UK."*

The lesson? It may take years to really get a business off the ground, but the experience will stay with you and help you succeed in future.

SOME GORJYS TIPS

- **Plan ahead:** Making a success out of your first business takes time, but planning is an integral part of the process.
- **Don't give up:** All entrepreneurs agree that the lessons learned when they started stayed with them over the years, and make them better business people.
- **Work together and get support:** Gorjys was made possible because we found like-minded people to work with. Embrace the support that's available to you.

Researching your market

While entrepreneurs use their gut instinct from time to time, the truth is that most successful businesses are built on customer research, market analysis, measurement and testing.

Market research tells you who is buying what, when, where and why. It doesn't have to be expensive - there's a lot you can do yourself.



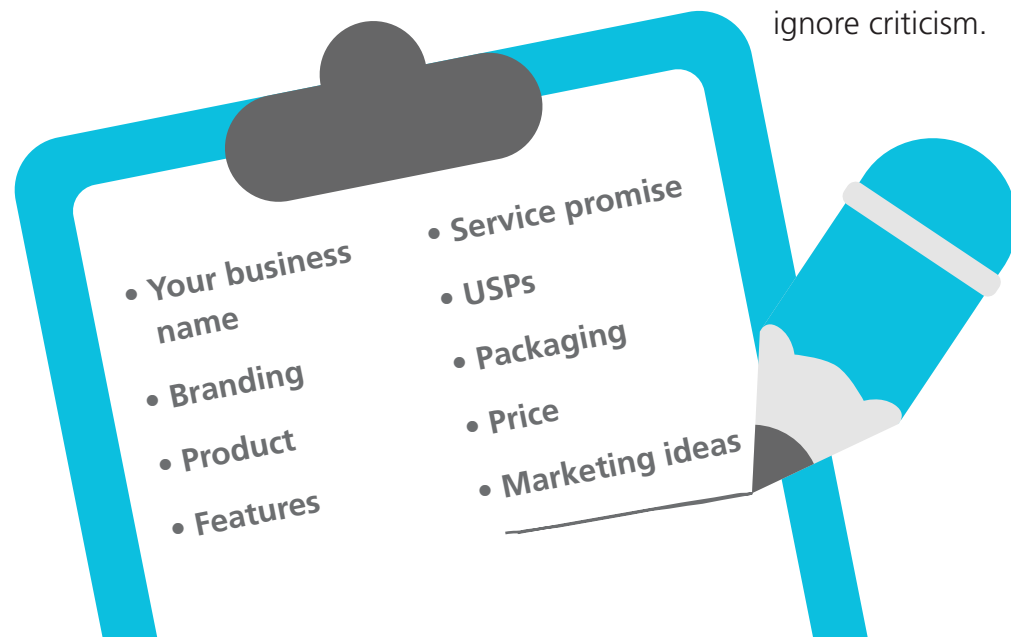
When you're starting out, it's essential to identify potential customers, find out what they are looking for and get their feedback on your ideas.

Their views may change your strategy; they will also help you build a picture of your ideal customer. Then you can find out if there are enough of these customers out there to make your business a success.

Face-to-face research allows you find out what potential customers really think and what their needs are. Be careful when asking friends or family for their views – they may be too nice to give honest feedback!

It's a good idea to show your potential customers a prototype of your product or examples of your marketing so they can give you specific feedback. Ask them what they'd be prepared to pay; and above all, don't ignore criticism.

What can
you ask
potential
customers
about?



How to do market research for FREE

- Carry out **customer surveys** using email or tools like Survey Monkey
- Do **online polls** (via your website or Facebook)
- Put together your own **focus group** to get in-depth feedback
- Conduct **desk research** (gather statistics from industry bodies, libraries and government websites)



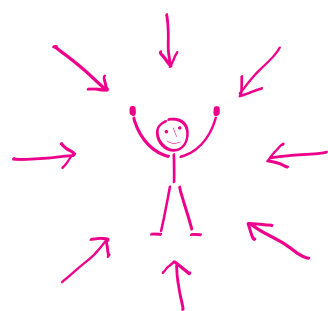
Four easy ways to keep an eye on your competitors

1. Ask a friend to be a "mystery shopper" by calling or visiting a competitor business
2. Ask customers about their experiences of buying from your competitors
3. Check out the ratings and reviews that your competitors are getting online
4. Subscribe to their email newsletter and monitor their social media posts

DON'T FORGET...

KEEP TESTING AS YOUR BUSINESS EVOLVES.
ANY BUSINESS CAN LOSE ITS WAY IF IT LOSES SIGHT OF WHAT ITS CUSTOMERS WANT.

Creating a



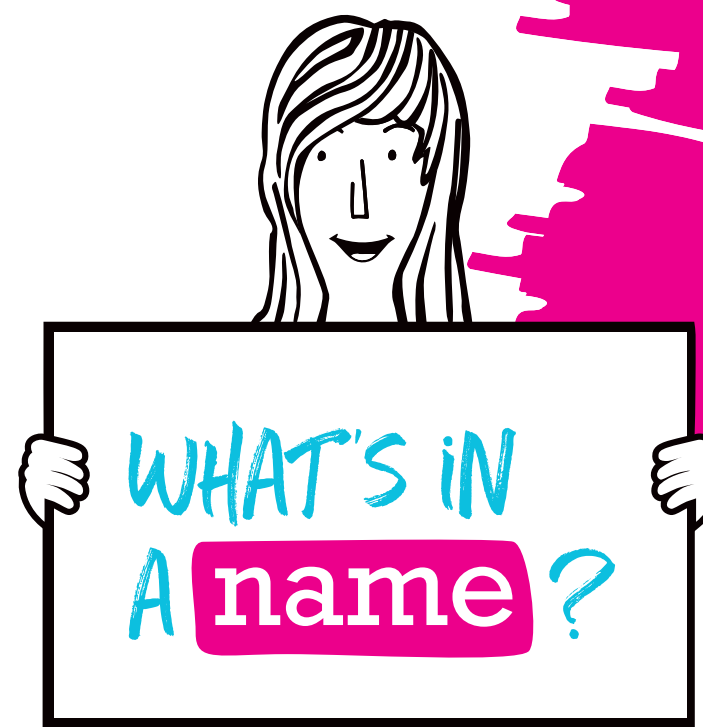
First impressions count.
Every business, no matter how small, needs its own brand identity.

A brand is essentially the character of your business; and branding is about controlling the way your business is perceived. If you don't work on your brand, you risk leaving your image and your reputation to chance.

The right branding can help you raise awareness, attract customers, build loyalty and encourage word of mouth recommendation.

Your brand has to appeal to the audience you are targeting and must convey your unique selling points (USPs). It can help you stand out from the crowd and become a well-known name in your local area or sector.

Once you have devised your brand identity, it's up to you to make sure your business lives up to its brand promise.



Choosing a name for your business can be a fun task but there are some serious issues to consider:

- The name needs to be easy to pronounce, spell and remember.
- It should be unique. Check the National Business Register to see if there are any other businesses with that name.
- Can you get a suitable domain name and social media handle?
- Consider the benefits of using Welsh?
- It may also need to work overseas (try translating your name on Google).
- If you are a sole trader or in a partnership you can't put Ltd or plc after your business name.

Many business owners choose a descriptive name so it's obvious what the business does – and it's easily found online. Always test your ideas for business names with potential customers.



Building your brand toolkit – step by step

- Step one** Draw up a list of brand characteristics for your business
- Step two** Think about where your branding will appear. This could include a business card, brochures, your website, on social media, at your premises, on the side of your van or even on staff uniforms.
- Step three** Ask a freelance designer to help you create your logo and brand identity.
- Step four** Develop the right “voice” for your business based on your brand characteristics – this will help you to write consistent and effective marketing messages.

How I came up with my business name...

“The customer makes a shopping decision within the first 3 seconds, so it is super important for Get Wonky to stand out from the crowd and give wonky fruit a chance! Get Wonky was actually the first name idea we came up with. We wanted a quirky, nonsense name that would express our ethical values with a degree of enthusiastic, wonky approach!”
Maciek Kacprzyk and Karina Sudenyte, Get Wonky

Getting online on a budget

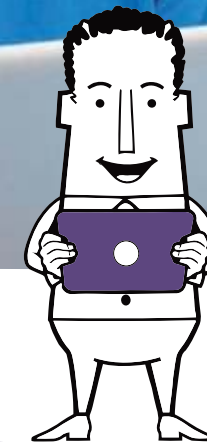
Every business needs to get online, usually with a website - to tell people who you are, what you offer and how to get in touch. And if you're planning to sell online, you'll need an e-commerce website that can accept online payments securely.

To get online, you'll need to:

- Register your domain name
- Find a web hosting company
- Build your website

Many platforms offer all of these services in one place – often for low prices.

Your **domain name** is the first place to start. Try to keep it short and easy to remember. You may want to register more than one version – such as .com as well as .co.uk or .Wales. Domain name registration costs vary but start at just a few pounds a year.

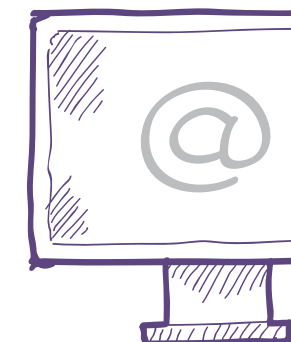


Building a website

When it comes to building a website, you have three options:

- Build it yourself from scratch – great if you have the skills
- Use a DIY template from platforms such as Wix, Wordpress or Go Daddy
- Ask someone else to build it for you; try skill swapping to save money

The costs involved in building a website vary widely. For simple websites, DIY templates are usually the best way to go as they are cheap and easy to use.



Social media

Social media encourages people to spread the word about your business by sharing your comments, posts and images.

If you're already using Facebook, Twitter, Snapchat, Pinterest, LinkedIn or Instagram, you'll be familiar with how they work.

Being active on a few of the most relevant social media sites is likely to be a key part of your marketing strategy – and the good news is that they are free!



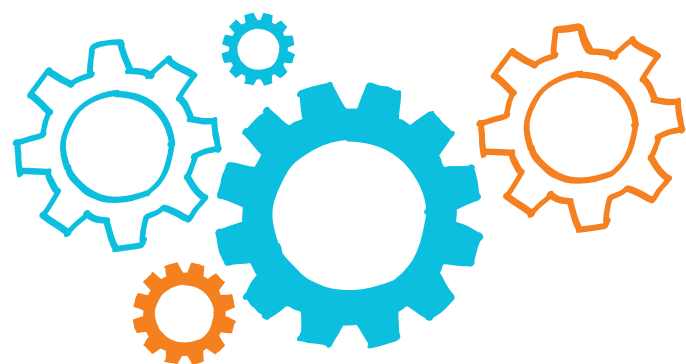
Getting to the top of Google searches

If you want to be seen by customers online you'll need to make sure your website gets noticed by Google. You can do this by using a technique called Search Engine Optimisation – SEO for short.

SEO is about using key words and phrases in your online content so that your website comes up when someone searches for a product or service like yours. There's loads of advice about SEO online – once you have learned the basics you can keep on "optimising" your website by adding relevant content such as blogs.

Don't forget...

Email is another great free marketing tool. You can keep in touch with customers by sending regular email newsletters or simply dropping them a line from time to time. Sign up for the Big Ideas Wales newsletter at www.BigIdeas.wales



Getting the most out of business support



Big Ideas Wales is the first stop for young entrepreneurs – visit www.BigIdeas.wales to find lots of ideas, advice and resources to help you launch your business.

Support is offered by the Welsh Government through Business Wales, but there are also other organisations who can help you. If you're still studying, check out what's on offer from your college or university, or you could visit others like The Prince's Trust.

Services might be fully funded or only charge a nominal fee – if not you will have to pay full rate for advice. Use your time wisely. Be committed to follow up on the actions agreed and make the most of your adviser or mentor's time.



THE TYPE OF SUPPORT ON OFFER INCLUDES:

Events and workshops

There are workshops available across Wales to build your business knowledge and develop your understanding of topics such as finance, marketing and business planning. These are a great way of learning the essential skills quickly to meet other entrepreneurs and share experiences. wales.business-events.org.uk

Online learning

Through Business Wales' free Business Online Support Service (BOSS) you learn essential business skills at your own pace, whatever the hour! businesswales.gov.wales/booss

Mentoring or coaching

Offered by other entrepreneurs or business professionals. Mentors and coaches can share valuable experiences and help guide you on the right path.

Competitions

A great way to hone your business skills and meet other entrepreneurs. They can also bring practical help or cash prizes useful for you and your business, and some great PR.

Co-working spaces, incubation and accelerator programmes

You can apply to be part of a community of entrepreneurs at one of these spaces across Wales to get intensive support and benefit from working alongside likeminded people.

One-to-one advice

Follow Big Ideas Wales on @BigIdeasWales or like us on Facebook and send us your questions!

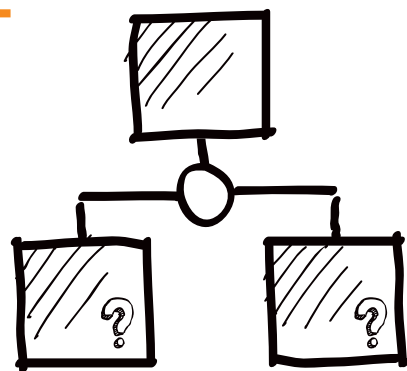
Finance, grants and loans

What you can get depends on eligibility. Low-interest loans such as Start Up Loans are customary for new businesses, grants tend to be for businesses that are already trading. Your business adviser will guide you through some options.

How do I find out about help available?

- The Business Wales helpline offers a diagnostic as well as information and signposting service. Give the team a call on 03000 6 03000, use our live chat or register at: www.businesswales.gov.wales/contact-us
- Join our Big Ideas Wales young entrepreneurs' network and register to see a business adviser at: www.businesswales.gov.wales/bigideas/registration
- Talk to Enterprise Champions at colleges and universities to find out about help they can offer.
- Attend one of our Big Ideas Wales events: www.bigideas.wales
- Follow Big Ideas Wales on @BigIdeasWales or like us on Facebook and send us your questions!

Meeting your business adviser!



We have a team of dedicated business advisers across Wales. Here's a handy list of FAQs to help you find out more about how it all works.

Q. Why do I need to see an adviser?

Your adviser can help you take the final steps to starting your business, by providing you with tools and resources you need. They can also introduce you to a role model and signpost places you can go for more information.

Q. When will I know when I am ready to see an adviser?

If you're serious about getting your business started you will instinctively know – your college or university could help too. Your adviser will tell you if you need to spend more time developing your idea.

Q. Do we meet in person?

The adviser will usually phone you in the first instance; subsequent visits can be in person.

Q. What will I need to prepare before the meeting?

Think about how you can describe your product or service, what market research you have done or need to do, who your customer is, what your competitors do and what makes you different. Bring anything relevant, like your draft business plan or marketing materials.

Q. Where will we meet?

Somewhere informal like a café or at your college or university – you can bring a friend or family member if you wish. Your adviser will not come to your home.

Q. What will happen in my first meeting?

The adviser will talk to you about your business idea, how you want to develop it and what you need to do to get started. You will come away with an action plan; the adviser may also take away some actions to work on.



Q. Do I need to bring ID?

No, the adviser/client relationship works on trust; the first step is to trust that you are who you say you are and that you are eligible to receive support.

Q. Will an adviser help me get funding?

The adviser will identify sources of funding that may be appropriate. They can also help you create a business plan or cashflow forecast.

Q. What happens next?

You tackle some of the items on your action plan, you will review progress at your next meeting and identify further work needed.

Q. What if I don't "gel" with my adviser?

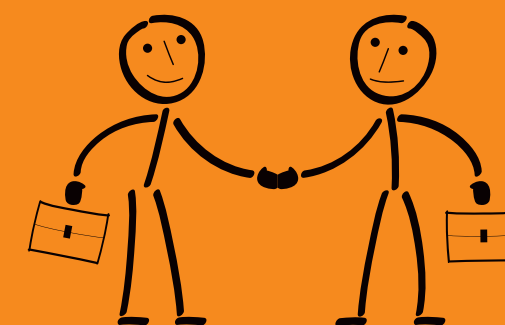
Don't worry, on the rare occasion this happens, we can offer you a different adviser. If they aren't in your area though, your new adviser may not be able to meet you in person.

Q. What if I need to cancel/postpone my meeting?

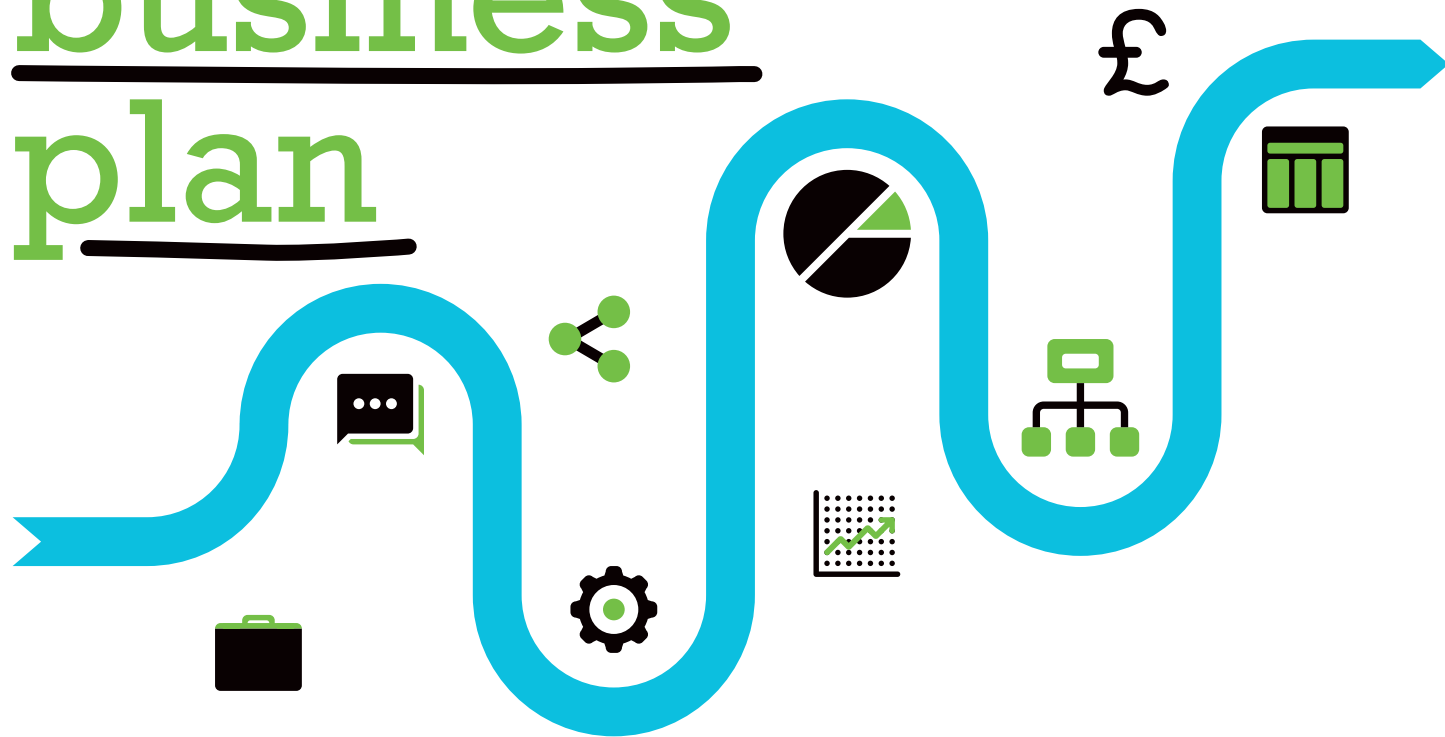
Please let your adviser know as soon as possible, the adviser can then make a new appointment with you.

Q. How do I get in touch with a business adviser?

In the first instance contact Big Ideas Wales on email enquiries@bigideas.wales, call 0300 060 3000 or send us a message on Facebook or Twitter.



Making a business plan



A business plan is absolutely crucial for any new business. It's a road map showing what the business is all about, where it's heading and how you are going to get there.

A good business plan should provide a realistic picture of your business, including timescales, budgets and sales forecasts. You may need help preparing your first budget, to get accurate costs and sales projections. Don't be put off, there's advice online and your business adviser will also guide you through each aspect.

Predicting what's going to happen in the future is not easy. Don't be tempted to make up pie-in-the-sky sales targets that you are unlikely to hit.

Some use a "business model canvas" – a visual tool to design, map and reflect on your approach to the business model.

Many small businesses start out using a "lean" approach by keeping their costs to a minimum and only growing as money starts to come in – also known as "bootstrapping".

Above all, it's important to remember that business plans are not set in stone. They change as the business develops; updating your plan regularly is good practice.



"I love being in control of a young and exciting company that challenges me every day. Running a business has both highs and lows, but being organised is key. Know where you're heading and how you plan to get there."

Adam Amor,
Buffoon Film and Media

TEN THINGS TO INCLUDE IN A BUSINESS PLAN

1. A description of your business
2. A profile of your target customer, including key demographic details such as age and gender
3. Facts and figures about the market you're in and analysis of your competitors
4. Operational details - premises, equipment, distribution
5. A description of your brand identity and a list of USPs
6. What you plan to charge for your products or services
7. How you intend to promote and market your business
8. Financial costs, including any funding requirements
9. Projected sales, profits and cashflow forecasts
10. An action plan for the year ahead

A business plan is crucial if you are applying for finance or approaching investors, so also include:

- A one-page executive summary that lists all the key points in your business plan
- Any necessary supporting documents, such as patents or contracts
- A confidentiality notice – to protect your idea and inform anyone that reads the business plan that it is confidential

SMART thinking

When you are setting business goals make sure that they are SMART:



Specific



Measurable



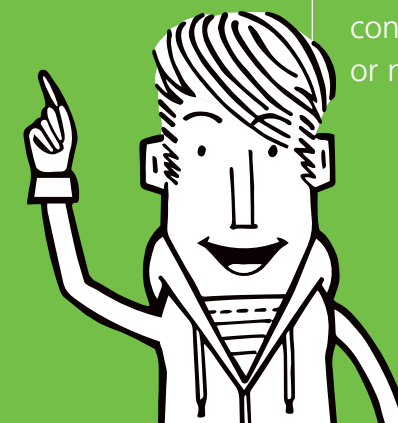
Attainable



Relevant



Timely



What is a SWOT analysis?

SWOT stands for **Strengths, Weaknesses, Opportunities and Threats**. It's a way to systematically assess your chances of success.

A SWOT analysis can help you create a realistic business plan.

Your **strengths and weaknesses** are the things you have control over. They could include your assets, your location, your expertise, reputation or resources.

Opportunities and threats are external things that you can't change; these are the things you have to respond to. They could include changing consumer behaviour, issues with suppliers or new competitors.



How to start your business

ON A SHOESTRING

You don't need lots of money to start a business. In fact, if you start small and lean you are more likely to build a profitable business in the long run.

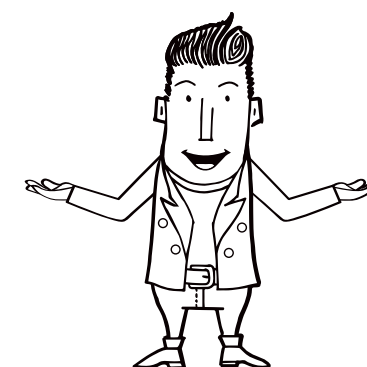
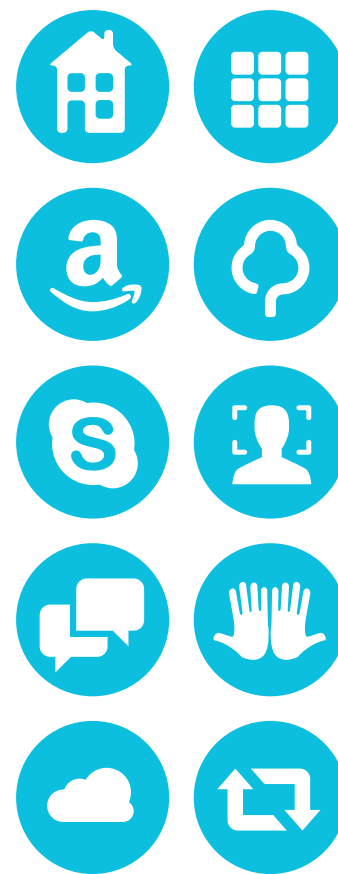
It's all about testing the waters without risking too much money – otherwise known as bootstrapping or using a “lean model canvas”.

Bootstrapping is starting a business with no or very little money. Lots of successful businesses started this way. It's hard work – you have to do everything yourself and there are no short cuts. But the beauty of bootstrapping is that you don't have to wait for funding to get started.

Bootstrapping is not just about keeping costs down; it's about creating a “lean” business that makes a profit. You start small, test as you go, get the basics right and build your business slowly but surely.

Business owners that embrace bootstrapping often do really well – they are resourceful, hard-working, persistent and they never stop learning.

10 ways to start up a business on the cheap



1. Work from home
2. Build your own website using free or cheap apps such as Wix and WordPress
3. Sell on established marketplaces such as Amazon and eBay or sell via a market stall or pop-up shop
4. Advertise for free on local websites such as Gumtree
5. Save money on phone calls by using Skype, Facebook Messenger, Whatsapp or others
6. Ask for help from friends and family with useful skills (finance, marketing, design, IT)
7. Use cheap or free marketing methods – such as social media, email, PR or leafleting
8. Find freelancers if you need an extra pair of hands
9. Use cloud IT services (many basic versions are free) and save on expensive software that could quickly become out-of-date anyway
10. Swap skills with other entrepreneurs for free

Look before YOU LEAP

- Start by working on your business in your spare time until you can confidently give up your day job
- Consider using open spaces and serviced offices to save costs on rent
- Build a prototype and get advance sales before you spend money on supplies or manufacturing
- Rent equipment to avoid having to make a big purchase



“I started with a few birds, and started to grow my flock bit by bit. I soon realised that I was going to have to establish a number of outlets to take on my eggs and so I started visiting local towns and speaking to independent butchers. I really researched my market and knew what businesses were looking for.”
David Vaughan,
Dave's Quails

How to get funding



Not every business can be bootstrapped. You may need premises as well as equipment, materials or stock to get your business off the ground.

Getting funding is not easy, especially if you don't have a track record in business. However, the good news is that there are now more sources of business funding than ever before:



Your family may be able to help but it can put a strain on relationships and borrowing from loved-ones is often not possible. But if your family can invest a little money in your business – and they realise they may not see it again – then it's a good way to get started.



Your bank is also a good place to start – even though getting a bank loan or overdraft is difficult. Shop around to get the best deal in opening a business account. Keep your bank manager informed; they may have some good advice and they will refer you to other lenders if they turn you down.



Start-up Loans are Government-backed personal loans for individuals 18 and over looking to start or grow a business. You can borrow between £500 and £25,000 for a fixed interest rate of 6% per annum. In Wales, loans are administered by Business Wales who can provide support during the application process and beyond; applicants are judged on the viability of their business plan.



Angel investors work closely with businesses, providing support as well as funding in exchange for equity.



Crowd-funding and peer-to-peer lending allows businesses to raise money from large groups of private investors online – either in exchange for equity or for benefits such as discounts or freebies. Popular crowd-funding websites include CrowdCube, Kickstarter, Funding Circle and Seedrs.

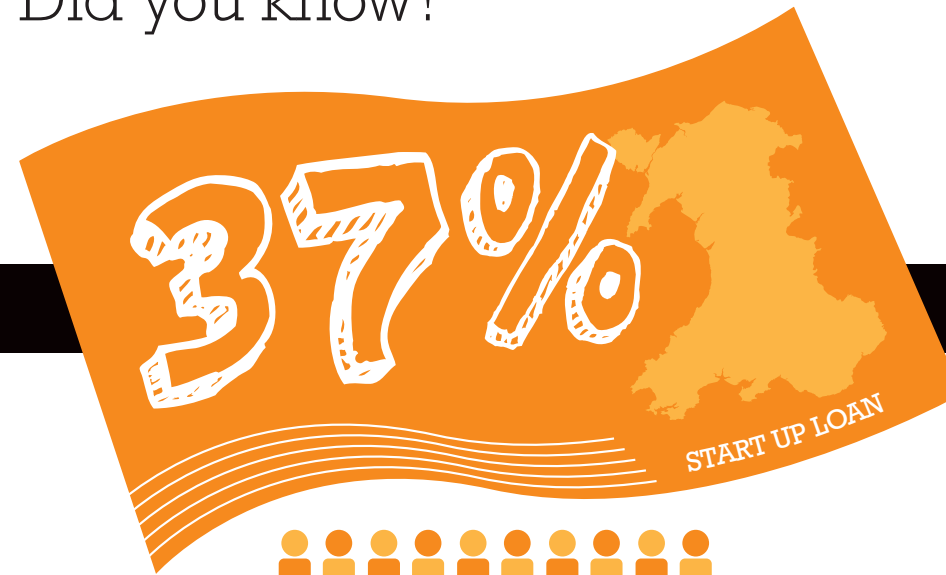


The Prince's Trust offers loans (and very occasionally grants) for unemployed young people that are setting up in business. As a Start Up Loans provider they can offer loans up to £5,000 for eligible young people with a viable business plan.



Start up grants and bursaries are occasionally offered by Government, local authorities and trusts. Government grants are often used to support business growth, employment opportunities or linked to specific sectors. Speak to your business advisers who can keep you informed of your finance options or visit the [Business Wales Finance Locator](#)

Did you know?



of all Start up Loans awarded in Wales in 2017 were to young entrepreneurs under 30 years old.

The average loan value was £7,752

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Top tips on getting FUNDING

Be specific on the type of funding you want
Describe your business idea clearly
Show that you know your target market
Have a good business plan and a realistic budget
Practice your pitch



How we did it



"I got help and advice from Big Ideas Wales on how to do a business plan and financial forecasts and over a period of two years we got a package together that was approved by a bank – so I was able to lend money to start the business in earnest."

Luke Riddiford,
Ridd's Ramps



"I started just selling bits of jewellery on Etsy, what sold well wasn't always what I expected but it was a great way to test the market and build a customer base before expanding my range and selling wholesale."

Ffion Hughes
Owner, Stiwdio Mwclai



What you charge for your products or services should be enough so that you make a reasonable profit once you have paid all your costs and overheads, including your time.

Many start-ups make the mistake of under-charging to attract their first customers. This is dangerous – not only do you risk losing money in the short term, it can be hard to charge more once you have a reputation for being cheap.

Remember three things:

1. Most customers will be prepared to pay a fair price;
2. Some customers associate cheap prices with shoddy goods or service;
3. Others will always quibble on price no matter what you charge – are they the kind of customers you really want?

Understanding profit

Gross profit

The difference between the amount it costs you to make or buy your products and the amount you can sell them to customers for.

Net profit

Gross profit minus all your overheads.



How to increase your profit margin

- Source cheaper materials and stock
- Buy direct from the manufacturer
- Cut your business running costs by negotiating better rates on supplies or services
- Add value by providing excellent customer service so you improve your reputation and can charge more as demand increases



STEP 1

Calculate your costs

Raw materials, stock and supplies

Overheads including premises and bills

Staff and marketing costs

Tax and interest payments

Remember that no cost is too small – it all adds up

STEP 2

Value your own input

Your own time and expertise should be included in your costs

STEP 3

Do the maths

Your price must be higher than your costs (breakeven)

The difference between your costs and your price is your profit margin

But before you settle on a final price, look at other factors...

STEP 4

Research the market

Find out what customers are willing to pay

Find out what other businesses charge

STEP 5

Consider your own proposition

Are you offering good value or a premium service?

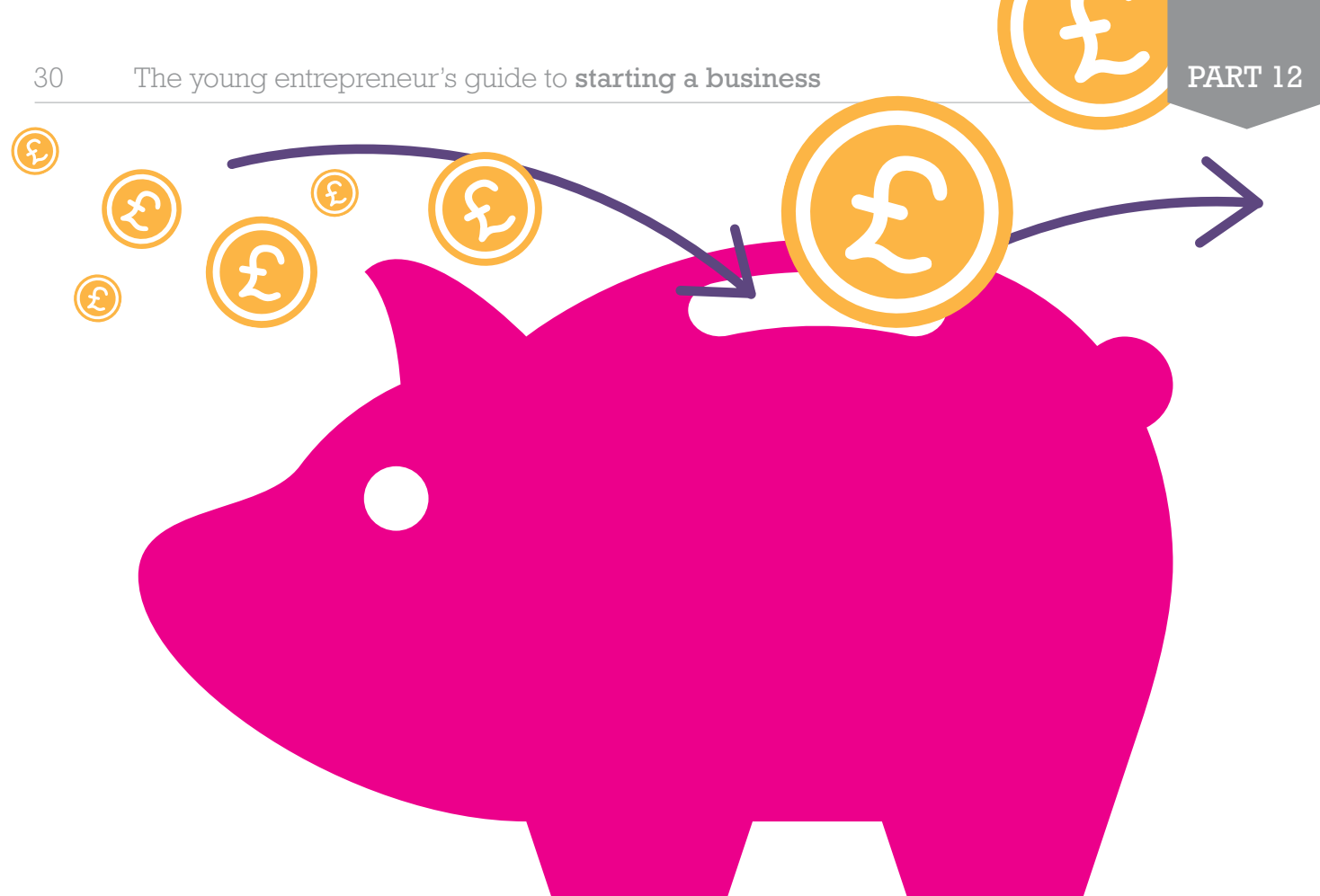
STEP 6

Review your pricing regularly

Watch your costs

Keep checking on competitor prices

Be careful not to scare off customers with big price rises



Managing your money

There are some simple ways to look after your money when you run your own business.

In basic terms, businesses have money coming in (**income**) and money going out (**costs**). It's up to you to record all your income and expenses so that you can manage your business and report to the UK tax body HMRC.

If you earn more than you are spending then your business is making a profit – and that's the name of the game. But many businesses struggle with **cashflow** – because they have to pay for things before money comes in.

Problems with cashflow are a common reason for business failure – so it's vital to keep on top of what's coming in and going out. There are lots of cheap and free accounting apps that can help you manage your finances. Some banks also provide free software.

You'll also need to create a **budget** to keep your business costs under control. Costs are either **fixed** (such as rent) or **variable** (such as materials or delivery costs). Key costs include: people, rent, utilities, business rates, tax, insurance, supplies, marketing and any loan repayments.



Do I need a business bank account?

You don't have to set up a business bank account – and many freelancers use their personal bank accounts – but it can be a good idea because:

- Your business finances are all in one place
- Your customers may prefer paying a business than a person
- Your business bank manager can offer support and advice

If you have a limited company or a partnership, you should open a business bank account. Business bank accounts normally charge fees but these vary so it's worth shopping around. It is possible to get a business bank account if you are under 18 but you may have to approach a few before you find one that is right for you.



What about VAT?

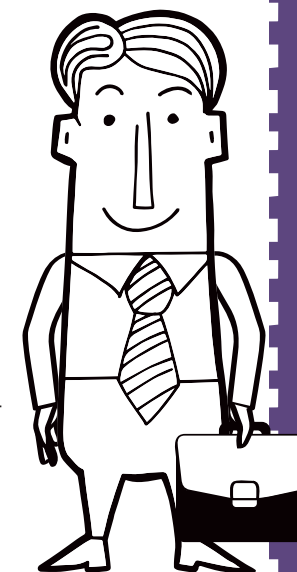
You have to register to be able to charge VAT (currently 20%) and you can only do this once your turnover reaches the VAT threshold (£85,000 in 2017/2018).

If you charge VAT you'll have to fill in a quarterly VAT return – if you have paid more VAT than you have received you will be reimbursed. But most businesses find that they have invoiced more VAT than they have paid and so they have to pay the surplus to HMRC.



Do I need an accountant?

You don't have to have an accountant; a bookkeeper would be a cheaper option and you can do your books yourself. However, many businesses find that getting professional advice saves them money in the long term. Accountancy and bookkeeping fees vary – ask around for recommendations and compare prices before you decide.



What records do I need to keep?



SALES AND INCOME
(KEEP INVOICES
AND/OR TILL ROLLS)



BUSINESS EXPENSES
(KEEP RECEIPTS)



VAT RECORDS IF YOU
ARE VAT-REGISTERED



PAYE RECORDS IF
YOU EMPLOY STAFF



TRAVEL FOR WORK
(KEEP A DETAILED RECORD
OF YOUR JOURNEYS)

Dealing with tax and law

Every business has to have a legal structure – whether you are a sole trader or a limited company.



Sole trader

A **sole trader** is a self-employed person who is the sole owner of their business. It's the simplest – and most popular – type of business. Being a sole trader means there's less paperwork but it means you are personally liable for any debts.



Limited company

A **limited company** has shareholders and is run by directors. Limited liability means you are protected if your business owes money. Taxes can be lower for limited companies.

Most young entrepreneurs start as a sole trader and then set up a limited company when the time is right – guided by an accountant.

First steps...

Contact the UK tax body HMRC and let them know you are setting up a business. You must register online for:

Self-assessment
if you are
a sole trader

Corporation tax
if you are
a company

For **VAT** turnover
reaches the VAT
threshold (currently
£85,000)

PAYE
(Pay-As-You-Earn)
if you plan
to employ staff

Two taxes you will have to pay

Income tax

If you are a sole trader then you'll have to pay tax on any money you make after you have deducted your expenses. You don't pay any tax until your income exceeds the personal allowance.

National insurance (NI)

Sole traders pay two kinds of NI – a flat weekly rate called Class 2, and Class 4 which is based on your earnings. You need an NI Number to start the process, before you get given a Unique Taxpayer Reference Number (UTR).

Four other taxes you may have to pay

Dividend tax

If you have a limited company and take income as dividends, then you will have to pay tax on this. The rules on dividends are changing, so you'll need advice from an accountant.

VAT

If you are registered for VAT then you have to do quarterly VAT returns and pay back any surplus VAT you have received after deducting any VAT you have paid (if necessary).

Corporation tax

This is only paid by limited companies – sole traders don't pay this tax.

Business rates

This is a local tax – like council tax for businesses. There are reliefs and exemptions for some small firms. You don't pay this unless you have premises.



Don't forget...

You may need **professional indemnity** insurance to protect yourself against compensation claims made by customers. **Public liability insurance** is also worth considering if your business comes into contact with the public. You will need **employers' liability insurance** if you employ anyone and **business and contents insurance** if you have premises.

Three laws you need to be aware of...

Intellectual property law
to protect your ideas
and ensure you don't
infringe others'

Employment laws
if you
employ staff

Digital regulations
covering data
and email use



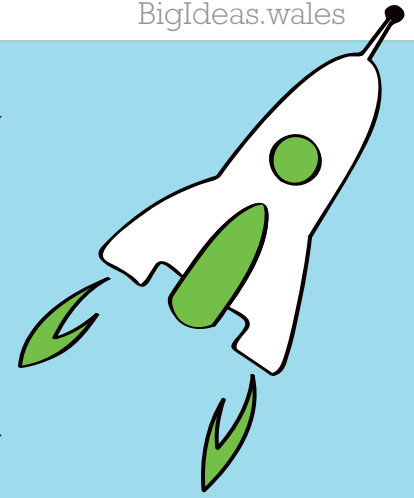


When you are starting a business it can feel as if there aren't enough hours in the day. If you want to avoid feeling overwhelmed, you'll need to manage your time effectively.

It's also important to realise that your time is one of the business costs. If you don't sufficiently reward your own efforts, you risk running out of enthusiasm for the business.

One of the biggest pitfalls is spending too much time on something that turns out to be of limited value. That's where testing comes in. Don't wait too long to get feedback on your business plans, your products or your marketing. It may lead you in a new direction.

12 ways to get your business off the ground quicker

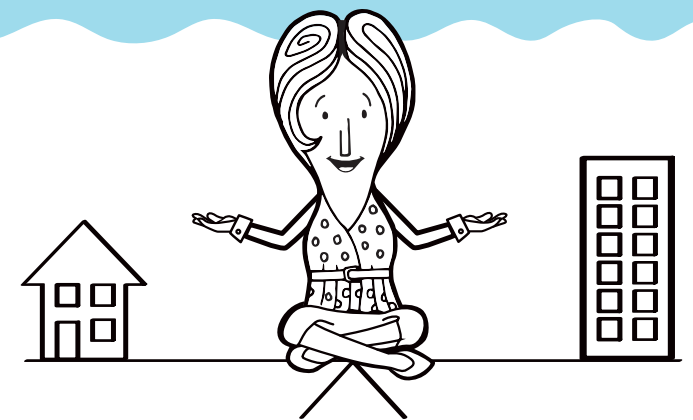


- 1 **Do one thing at a time** – research has proved it's more productive than multi-tasking.
- 2 **Prioritise your tasks** – set deadlines and time limits for each job.
- 3 **Reduce interruptions** – don't let distractions such as social media constantly break your focus.
- 4 **Set step-by-step goals** and break up tasks into manageable chunks.
- 5 **Play to your strengths** by doing the most difficult tasks when you are at your best.
- 6 **Get organised** so you don't waste time looking for paperwork or files.
- 7 **Write daily to-do lists** to keep you on track.
- 8 **Question what you are doing** – are you wasting your time on tasks that won't increase your chances of success?
- 9 **Take a break** from time to time to clear your head.
- 10 **Know when to move on.** Perfectionism can cause stress and slow you down.
- 11 **Networking** is a good way to make valuable new connections and meet potential customers and commercial partners.
- 12 **Don't procrastinate – just do it!**

Improve your work-life balance

One of the great things about running your own business is that you can create your own schedule. But the reality is that many people find it hard to resist spending every waking minute on their business – especially in the early days. So how do you avoid burnout?

1. Make sure you're getting enough sleep
2. Get some regular exercise and eat a well-balanced diet
3. Don't neglect friends and family
4. Take regular breaks from the day-to-day detail so you can think about the bigger picture



“My first year in business was tough, but I learnt a lot. I did the marketing and admin and all the building work myself, until I slowly started taking on other women and the business grew. I love being my own boss, knowing that the harder you work the more successful you will be.”

*Philippa Tuttiett,
Female Builders and Interiors*



GROWING

your business

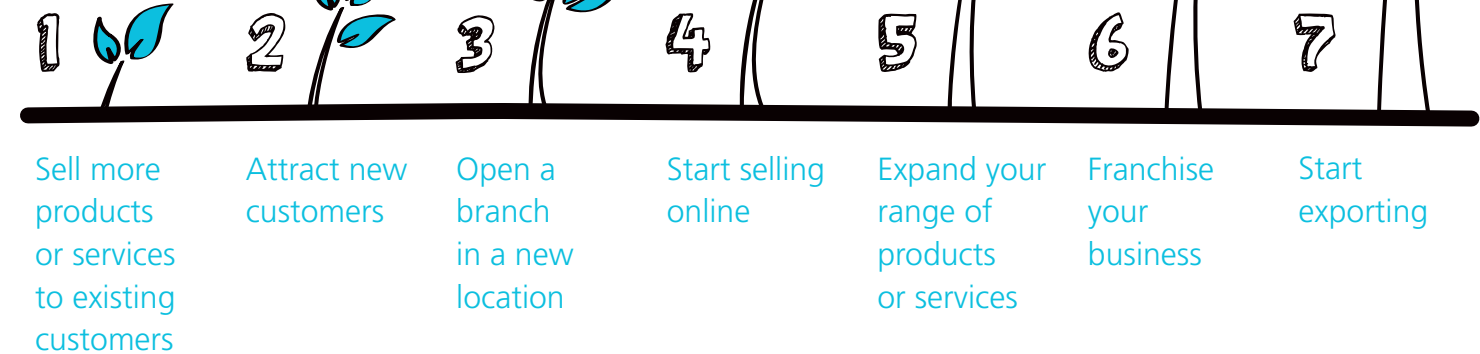
Starting up is not easy but scaling up can be even harder. If you are used to doing everything yourself and managing things on a tight budget, growing your business can be a big change.

It's the difference between working **in** the business and working **on** it. You may have to recruit and train staff, learn to delegate and set up new systems in order to expand.

Before you take the next step, consider the pros and cons of growing your business. There's nothing wrong with staying the same size; ask yourself – do you actually want to run a bigger business?

That said, there are plenty of businesses that started at the kitchen table and have gone on to become household names. If there is a growing demand for your product or service, it's well worth taking advantage of this. If you don't, your competitors will.

Seven ways to grow your business




How to take the stress out of scaling up

- Try outsourcing or partnering before you recruit new staff
- Look for flexible premises that can expand with your business such as serviced offices
- Take advantage of business support and advice aimed at growing businesses like yours
- Talk to your bank manager or accountant about ways to grow
- Work with a mentor who has grown a business to get the benefit of their wisdom and experience
- Test the demand for new products or services before you roll them out



“I started the business upon entering my final year at university so that once I had graduated I could hit the ground running. Over the next year and a half I expanded from only cleaning into commercial services and domestic services ranging from business supplies to ironing, housekeeping, pet services, gardening services, carpet cleaning and a number of others in order to create bespoke tailored packages to meet my customers' needs.” *Caryl Thomas, Sparkles Cleaning Service*





Big Ideas Wales host events and competitions to help you become a successful young entrepreneur:

Bootcamp to Business

If you're ambitious, motivated and raring to start your business, you need to think about Bootcamp to Business. It's a free 3 day residential for 18-25 year olds in Wales to teach you about entrepreneurship essentials and give you amazing connections.

Big Ideas Celebrated

This is Wales' national competition and showcase of entrepreneurial talent for 16 – 25 year olds. If you've raised money for a charity, taken part in the Welsh Baccalaureate Enterprise and Employability Challenge or you have a business or business idea you are really passionate about, this is the perfect opportunity for you to showcase your talents.

Take a look at our website www.BigIdeas.wales for more information and follow Big Ideas Wales on Facebook and Twitter.

