



Business Enterprise

Setting up a business starts with an idea. Often it's 'entrepreneurs' that take this idea and turn it into a business enterprise, to provide goods or services that make a profit. Being an entrepreneur requires initiative, creativity and perseverance, plus a willingness to take risks on projects that may not always succeed.

There are a number of steps involved in setting up a business enterprise. These include:



1) Exploring your idea for a new product or service

You need to investigate whether or not there could be demand for your product or service. Is it something that people would need or want that is not yet available? Is it a solution to a consumer problem or an improvement to something that is already in the market? Or perhaps it is an innovative idea that will change consumer behaviour and create demand that did not exist before. Before you develop a product or service, it's important to explore whether there's a market for it.

2) Research and Development

In order to put your idea into practice, you need to do quite a lot of research first to see if your idea will be successful. In the development phase, you need to do the following:

- Get to know your customers – Are your potential customers young or old, male or female, or a specific group of people? Seek advice from people who have a similar business, read business and trade magazines, attend trade shows and carry out interviews with your target audience.
- Research your competitors – Thoroughly research the market to see what's already available – on the internet, in stores, at trade shows. Are there many similar products or services available in the same area? How well do they sell? Examine their marketing campaigns and how their products are advertised. Is there a gap in the market that your new idea can fill?
- Consider your unique selling point (USP) – Knowing what makes your product/service unique will help you in developing your marketing and promotion strategy. This includes the price you are going to charge. Will you be cheaper than or in line with competitors?
- Consider your skills – What are the skills needed in running the business? In manufacturing the product? In selling it? You will need to assess your own skills in all of these areas, and consider hiring other staff to help you in some areas if needed.
- Developing your product or service – What processes will be needed? What costs will be necessary? Do you need to develop a prototype or engage manufacturers or professional help?
- Return on Investment – what will your Return on Investment (ROI) be? Investors will be keen to hear about how much money they can make. ROI is the percentage of money they could make or lose, in relation to the amount they invest. It is calculated by dividing the profit by the amount invested, and multiplying by 100 e.g. $\text{£}1000 \text{ profit} \div \text{£}800 \text{ investment} \times 100 = 125\%$.

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3) Financing and assessing risk

Before you begin, assess your own finances and what is required to start the business. What are the initial overheads and ongoing costs? Consider things such as rent, wages, resources needed for development, marketing, sales and distribution.

Do you have enough financial investment to start up the business, or will you need to get money from other sources? You may use your own savings, seek investors or sell shares to finance the company. You may also need to take out a business loan. Some local authorities and other organisations offer grants or financial assistance to help set up a business (see 'advice' at the end of this fact sheet).

You will also need to consider the risks involved. To minimise financial risk, some entrepreneurs continue to work at another job to make money while they develop their ideas. A few other risk areas to think about include:

- your knowledge or experience in business
- changes in the market, such as new competitors
- changes in consumer demand
- price of production changes
- investors pulling out.

Once you have identified your main areas of risk, you can work towards ways of minimising them.

4) Creating a business plan

You will need to draw up a clear business plan or strategy for your new enterprise. Often investors will request to see this before deciding to lend their money to your idea.

A business plan will outline how you intend for your business to be successful. It should cover the following points:

- Name and overall aims or objectives of the business
- Description of the product or service including price
- Competitor analysis and research of the marketplace
- Skills assessment of the people involved in the business
- Production costs and main suppliers
- Location details and equipment needed for production
- Profit forecasting and Return on Investment (ROI) (see fact sheets FC3 – Risk and Return and FC4 – Business and the Economy)
- Finances including investments, loans, grants or other sources of funding and how it will be paid back



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5) Advice and starting up

While you are in the process of setting up your enterprise, it's a good idea to get professional advice to help you along the way. There are many different organisations that can offer advice including:

- banks or building societies
- the Government
- Chambers of Commerce
- business clubs
- trade associations
- the Internet
- friends and family

Charities and organisations such as The Prince's Trust, BusinessLink, Young Enterprise and Enterprise UK all support young people wishing to set up their own business, with advice and even mentoring.

Once you have set up your enterprise, you need to be organised and keep clear records of all your business and financial activities. You should also monitor and gather feedback from customers and listen to their advice. Since they are buying your product, the old phrase 'the customer is always right!' can really go a long way in building customer relationships!

