



Business Start up Guide



The Prince's Scottish Youth Business Trust
President HRH The Prince Charles, Duke of Rothesay

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Welcome from Clydesdale Bank

Clydesdale Bank is delighted to support The Prince's Scottish Youth Business Trust as it seeks to encourage more young people across Scotland to start up their own business.

People and the communities in which they live and work are critical to our business and we take our responsibilities towards them very seriously. Supporting local communities and encouraging them to grow and prosper is a key business objective for Clydesdale and one which has led us to support organisations like the PSYBT, a renowned national organisation for this work.

This is the first comprehensive publication on the subject from The Prince's Scottish Youth Business Trust and we are confident this guide will help people across Scotland to learn more about how they can start a business of their own.



David Thorburn
Chief Operating Officer
Clydesdale Bank

For more information please visit www.cbonline.co.uk or contact Clydesdale Bank Business Connect on 0845 6064455

Welcome from The Prince's Scottish Youth Business Trust

Congratulations. By picking up this guide you have taken a first step on the path of starting your own business. Every year The Prince's Scottish Youth Business Trust helps over 500 young people in Scotland, aged between 18-25, to start up and continue in business. We hope this guide will help you understand the need to plan and research your idea in order to have a successful start up.

The guide also reflects the huge variety of businesses we have supported throughout Scotland and we hope you will be inspired by their success. Running a business that you have started is fun, demanding and, at times, pretty scary. However, if you have done your homework before you start you have a far better chance of making a go of it.

Not everyone wants to run a business empire. We have supported many people who employ only themselves and they enjoy a comfortable lifestyle where they control what they do. Others need to employ staff and often find their business grows due to the standards of the work they do. What is right for you may not suit someone else.

You may find you read this guide once or twice and act on some of the advice or it may become a reference book for you over the coming months. Either way, please remember it has been compiled by many people who have set up their own businesses and we hope their experiences and advice will help you on your path.

We could not have produced this useful guide without the Clydesdale Bank providing the funding for its development. As a charity PSYBT would not be able to carry out our work without the fantastic support of our volunteers and supporters.

We wish you the best of luck with your future plans.



Mark Strudwick CBE
Chief Executive

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Photograph References

Cover:	Jo's Garden Enterprise, Highland
Section 1:	Runaway Productions, Paisley
Section 2:	"No 14" Helen Batty SRch, Edinburgh
Section 3:	On A Roll Entertainment, Edinburgh
Section 4:	Scottish Paintball Centre, Dunbartonshire
Section 5:	Jarvis King Associates, Central

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Section 1 **THE DREAM**

Section 1: The Dream

WHY IT'S GREAT TO START YOUR BUSINESS YOUNG

You are interested in starting a business; don't worry if you are planning to start on a small scale. Many of the most successful household names of today were created by young people from small shops, bedrooms, the back of vans or carts in various markets.

There are many advantages to starting out when you are young:

- You will possibly have fewer financial commitments like a large mortgage, car loan or credit cards. You can therefore make some mistakes on the cheap or learn quickly.
- It is a fantastic chance to learn about yourself, and acquire many valuable skills in the process. You will be a graduate of the 'university of life'.
- You are starting with a blank sheet. Sometimes coming in with a fresh look at an industry can be extremely valuable in building a successful business.
- You should have loads of energy and enthusiasm – these are often the most important things for someone running a business.



This guide will take you through the stages you will typically go through in starting your business.

1. Do I want to do this? What is it like starting a small business?
2. Do I have the skills and ability to make this work?
3. Coming up with a winning business idea.
4. Producing a business plan.
5. Raising finance.
6. Selling.
7. Keeping control of the cash.
8. Keeping going – reacting to changes in the market.

WHAT IS IT LIKE RUNNING YOUR OWN BUSINESS?

Before launching yourself into business, you should be aware of the highs and lows. It is not all plain sailing.

Unlike a job, there is no typical career path for a budding entrepreneur. However, there tends to be a similar range of benefits and costs.

The benefits

There are many benefits to running your own business. Among the ones people most often mention are:

- Control over your own destiny
It is no coincidence that many business owners hate being told what to do. This is one of the major benefits of being self-employed; the chance to do things your own way, work your own hours, and perhaps prove to others what you are capable of.

- Create things

For many people, the greatest satisfaction is that of creating things from nothing.

CASE STUDY

Laura Baillie, Laura Baillie Designs, Paisley

Laura Baillie designs and manufactures products using textiles. The remnants from larger pieces are used to make greetings cards and corsages. She recycles buttons and woollens where appropriate and finds that her creativity is stimulated because she is trying to be resourceful and keep down costs.



- Money

If you really want to become seriously wealthy, building your own business is probably the way to go. However, despite the headlines, many entrepreneurs do not go on to earn fabulous riches. They still have the satisfaction of working their own hours and doing what they love.

Many surveys of self-employed people show the desire to make money is quite far down the list of motivations. Profit is obviously important, but many feel it is better to do what you love, and find that the money may come later.

The costs

- Hard work

Running your business, particularly in the early years, will almost certainly involve working longer hours than you would working for someone else. You should bear in mind that it is also likely to eat into your social life, evenings and weekends.

- Responsibility

With your business comes a high degree of accountability. If there are problems then the responsibility for sorting them out will usually rest with you.

- Risk

Risk and reward go hand in hand in a new business. There are different elements of this:

The risk of failure: Many start-up businesses cease trading in their early years. However, this isn't always the negative experience you might have imagined. Some people get better job offers, others decide they want to try something different, others just want to take a break and come back to their businesses later.

Section 1: The Dream

Being seen to fail: Many people are worried about their reputation in the eyes of their family and friends if their business doesn't work. But if things don't work out, it's unlikely people will stand around and say 'I told you so'. Instead, people admire those who have had the courage to give it a go.

The financial risk: Starting in business doesn't have to involve a huge financial risk. It is often far wiser to take a cautious approach at first, and only expand when you know from experience what your market is like. Visit as many banks as you can to find out what services they offer. PSYBT is also designed to help you; we cover this in more detail later.

CASE STUDY

Kat Feeley

Kat Feeley ran her business for 2 years as a designer and manufacturer. She operated from home and sold her products to a wide variety of outlets. Kat decided after 2 years to use the experience she had gained running her own business to return to the work place. She is now a Project Co-ordinator with Glasgow City Council, working in the Cultural and Leisure division. She also volunteers as a PSYBT aftercare adviser where the skills and expertise gained during self-employment are put to good use, helping other young businesses.

DO I HAVE WHAT IT TAKES TO BE SELF-EMPLOYED?

‘You need determination, drive and dreams to take risks and seize opportunities in business.’

Gio Benedetti, PSYBT board member and serial entrepreneur

Gio started a small dry cleaning business at the age of 19; he is now Chairman and major shareholder of Benedetti International plc, which comprises 4 companies with a turnover in 2002 of £65 million.

What if I'm not an 'entrepreneur'?

When you read about the big names and successful entrepreneurs in the papers, it's very easy to get put off and think you are not like them. Don't worry, they are the exceptions.

- 99% of the businesses in the UK are classified as small or medium sized.
- The majority of these employ less than ten people.
- Through PSYBT, the average age of a recipient is 23 years old and women run 39% of businesses helped.
- Of these, 80% of successful applicants were unemployed before receiving PSYBT support and 16% left school without any formal academic qualifications.

‘I can is better than IQ’

Tom Hunter, Founder of Sports Division
and D2 Jeans and PSYBT board member



There are many different ways of being self-employed. Some people want to build empires, but the majority are keener to earn a good living using their skills to create something they believe in.

So don't worry if you don't think you look the part, or you aren't motivated by money. If you have the desire to start something, and a willingness to take a bit of risk, then the world really is yours for the taking.

It is open to everyone!

Let's look in more detail at Gio's definition, the three D's:

Drive

Drive, enthusiasm, motivation and energy; call it what you will. This is essential to getting your business off the ground.

There are many reasons for this drive. It may come from frustration, boredom, curiosity or a need to prove yourself to others – these motivations are as diverse as the businesses they create.



‘Commit yourself totally to your task....by doing that, everyone around you will catch your enthusiasm.’

Richard Emanuel – Founder of DX Communications,
serial entrepreneur and PSYBT ambassador

Section 1: The Dream

‘When we started Thorpe Molloy, I never thought about what would happen if we should fail but how we should do things in order to ensure we succeeded - failure was not an option! Determination, enthusiasm and honesty were the main ingredients to our success.’

Judith Thorpe, Thorpe Molloy Recruitment, Grampian
PSYBT supported business and ambassador



Determination

A definition of a successful entrepreneur is someone who gets up one more time than they fall down. You will encounter setbacks in your early years; what is important is that you take them in your stride and keep going. Some people do this naturally, others have benefited from finding supporters who believe in them and what they are trying to achieve.

Dreams

It will be much easier for you to overcome problems or challenges if you have a strong sense of where you want to end up, or what your dreams are.

You don't have to be a super-hero

Don't worry too much if you think you have weak areas in your skills. Everyone has things they are good at and areas they need to improve upon. The most important thing is to be honest with yourself about what your strengths and weaknesses are and then compensate for them. The Prince's Trust will give Development Grants of up to £500 to support individual training that will lead to start-ups, whether this is personal training or for specific skills such as driving lessons. If you think this would be helpful, visit www.princes-trust.org.uk

YOUR PERSONAL STRENGTHS AND WEAKNESSES:

Coming up with a fair assessment of yourself can be very hard to do. Try to be as honest and objective with yourself as possible. Don't be modest about your strengths, or overly critical of yourself. Think about what you enjoy doing most, and what aspects of work you don't like – these will usually correspond with your strengths and weaknesses.

If it makes it easier, rank yourself against your possible competitors, if you know them. It can be very helpful if you ask someone who knows you well to help you with this.

Strengths	Weaknesses
What are your best qualities?	What skills/areas could you improve?
What types of tasks do you most enjoy doing?	What types of jobs do you most dislike doing?
What do you do well?	What should you avoid doing?
What specific skills and experience do you have which might help you?	Are there areas of technical knowledge or experience that you are weak in?

SOME PERSONAL SKILLS WHICH WILL HELP:

Confidence

This is very important for success. With a lack of confidence or belief, people undersell themselves. They charge too low a price for their work, they give in at negotiations and can be taken advantage of by suppliers.

Confidence isn't the same as being arrogant or cocky. It is about having a deep-seated belief in your own worth. It is a belief that you have something unique to offer.

Confidence gives you the strength to say 'no'. Success is about focus. Sometimes you have to say no to potential work, business or friends in order to have time left for living your life. It is also vital to tell customers when you can't do something. If instead you under-promise and over-deliver you will have delighted customers.

Confidence typically grows with experience in running your business. At the outset, you might also benefit from going on an assertiveness course. Ask your local PSYBT manager for assistance in sourcing such a course.

Time management

Keep a close eye on how you spend your time. At the start, you will be dashing about doing everything. However, unless you work out what is really important to your business and what things just get in the way (or could be done better by someone else), you could be stuck doing the same thing in ten years time.

Section 1: The Dream

TOP TIPS:

- Group all your tasks together:
 - Start with the easiest, and then get stuck into it.
- Work out your most creative time of day:
 - Do the most important or hard things then.
 - Try to avoid interruptions such as friends, the post, or emails during this time.
 - Instead, schedule a set time of day for these.
- Give yourself a break:
 - You are not a robot - give yourself a reward once you have done your tasks.
- Cut yourself some slack:
 - When planning a project, always put a week at the end for some imaginary task. You will always need it.
- Go on a time-management course:
 - It might cost you a few pounds but will easily pay for itself with your increased productivity.

The ability to listen and question

YOUR AIM IS NOT TO SHIFT PRODUCTS. YOUR AIM IS TO SATISFY YOUR CUSTOMERS' NEEDS.

This is the heart of selling. The most important skill is being able to find out exactly what your customers' needs are, and how they want them met.

So you need to learn to be a listener, and a questioner. You also need to learn how to spot what a customer really wants – and they won't always tell you.



Section 2

THE PLAN

YOUR BUSINESS IDEA

Getting the right business idea is crucial to the success of your business. Even if you think you already have a good idea, it is still worth putting some time and effort into seeing if you can further improve on it to make it more unique.

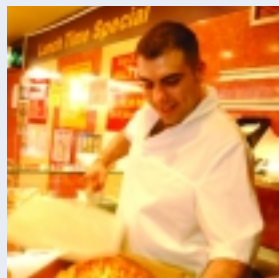
Some ways to come up with a good business idea

- It doesn't have to be your own
It is a myth that all entrepreneurs are good at generating brilliant ideas. No – they are brilliant at making things happen. Look around at other people's businesses for possible ideas. Alternatively, you could work with someone who already has one.
- Start with what you know
The odds of you coming up with a new idea that people love and no-one has thought of before in a sector that you know little about are slim. When someone knows an industry inside out, the trends, the customers, the issues, and totally focuses on these areas, they are far more likely to be successful.

CASE STUDY

Stephen Vella, Stefano's, Glasgow

Stephen started working in a chip shop at the age of 13 and decided he really enjoyed the whole aspect of working with the public. Over the years he realised attention to detail, great customer service and a fantastic product would draw customers. At the age of 22 he received PSYBT support to launch his chip shop and now he employs several staff.



- Don't just go for a business you 'like'
Countless people decide to run a restaurant because they like eating out, or set up a magazine because they like reading them. The one way to ruin a hobby is to make it your life. Instead, the enjoyment of running a successful business will often give you the greatest satisfaction, even if it is in an industry you wouldn't have first thought of as 'enjoyable'.
- Don't just look locally
Sometimes the best ideas can come from abroad, or unusual places.

CASE STUDY

Richard Davies and Gillian Dykes, Wild West Foods UK Ltd, Stornoway

Richard was working as a fishing ghillie in Stornoway when a friend came back from the States and gave him some beef jerky to taste. He was hooked. It was very tasty and very healthy with only around 3% fat, up to a whopping 50% protein and only 64 calories per serving. When he did some homework, he found that in the States it was a \$1 billion market.



However, it was not possible to import US jerky into the EU because of stringent laws about US beef. At first Richard tried to make his own, but found no one would teach him. However, in the process he came across a South American jerky supplier. He imports this into UK, and sells under the name Wild West Jerky (www.wildwestjerky.co.uk).

- **Beware of 'fad' businesses**
If you can see a bandwagon, the chances are it has already left the station. Many businesses go through phases of being 'fashionable'. You have to make sure you offer something different, or try to spot what the next trend will be before it comes.
- **Brainstorm**
Never assume you know it all. Sometimes you can be too close to a business to see the obvious. Try to stop your brain from making the obvious conclusions. Ask stupid questions.
- **Look for change**
Periods of change are where lots of money can be made e.g. this could be when there is new legislation being introduced to an industry, changes in customer buying habits, changes within an industry or new technology.

CASE STUDY

John Gallagher, PC Depot, Glasgow

John identified a gap in the market after researching the second-hand computer market in the USA. He saw huge potential in selling reconditioned computer systems to customers who didn't need the latest in computer technology.

Section 2: The Plan

- **A gap in the market, but is there a market in the gap?**
It is easy to get carried away about the importance of spotting a gap in the market. A more important question is whether there is enough of a business in this gap.
- **Competition is your friend**
A common mistake is to look for a business with no competition. There might be a very good reason why no one else has set up in a similar business. It can be much better to go to a busy business sector, but do something strikingly innovative.
- **Put a spin on an existing business**
You don't always have to reinvent the wheel. Sometimes taking an existing business and putting a novel spin on it can ensure success.

CASE STUDY

Heather Butterworth, Kells, Western Isles

Heather uses traditional Harris Tweed to design and manufacture funky products. She identified that people liked the fabric but often felt the designs were too traditional. She makes a wide range of colourful cushions, bags and other accessories, which can be personalised to customer needs.



PRODUCING A BUSINESS PLAN

In Section 5 you will find a useful example of what content is required within a business plan.

Why do you need a business plan?

You will need a business plan to raise finance from either PSYBT, or other funding sources such as a bank. Funders will want to see you have thought through all the issues relating to your business. It is not unusual to have 3 or 4 draft business plans before you have one you are happy with and that reflects your idea.

At the same time, you need to be sure for yourself that your business has potential. You may have a great idea, but only by thinking through all the issues and working out the finances can you be sure there will be enough work there day in day out to keep you afloat.

It is also essential that you keep planning and taking advice. Your customers and market can change, and it's vital to keep abreast of any changes.

What goes into a business plan:

You – People invest in people

Whether it is lending £5, £5,000 or £500,000, the following is always true:

NO MATTER WHAT YOUR IDEA, FUNDERS ARE ULTIMATELY INVESTING IN YOUR ABILITY TO MAKE THINGS HAPPEN. SO HOW CAN YOU PROVE THAT YOU CAN DO THIS?

- First impressions do count. Look after the simple things. Dress smartly, look people in the eye when you walk in, smile and shake their hands. It really does make a difference.
- Put details of any relevant experience in your plan. This could be work experience in your industry, or better, examples of previous businesses you have run, or examples of your own initiative (you organised a fashion show at school). Put it in.
- Do an honest analysis of your strengths and weaknesses. Don't make out you are superhuman; what they are looking for is an honest appreciation of your strengths and what you will do to balance your weaknesses.
- But the most important thing is staying power. Success will ultimately depend on your ability to keep going through tough times. Try to put examples of your drive and determination in your plan.
- Listen to what funders are asking you. This may give clues to areas of concern or show you another approach.

Your business idea

This is where you get people hooked with your idea. The secret here is to keep it simple; outline the basic plan, summarise the main points. It should briefly look at your competitive position and, this is the clincher, why your idea is better.

Will it make money?

First, we'll look at your income, and then go on to look at your costs.

Your Income

The amount of money you will bring in depends on two things; the price you sell things for, and the number of them you can sell.

Getting your price right

Getting your price right is hugely important, and very tricky. One of the main problems is down to assertiveness. People are worried about asking a fair market price for their product or service, because deep down they don't have confidence in their ability to deliver a good product.

To solve this, people rely on 'cost-plus' pricing. This is basically adding up all their costs and then putting a margin on the top. While simple, this is wrong for a basic reason:

THE PRICE IS WHAT YOUR CUSTOMER IS WILLING TO PAY. YOUR COSTS ONLY TELL YOU IF YOU HAVE GOT A GOOD DEAL FROM YOUR SUPPLIERS.

CASE STUDY

Timmy Lamb and Colin Martin, The Studio, Galashiels

The Studio is a highly successful hairdressing salon based in a rural area. Often, prices in local salons are lower than you would expect to pay in the larger Scottish cities. The Studio has the look and quality of a city centre salon and customers are happy to pay city prices because the high standards of hairdressing and interior design exceed expectations.



Pricing strategies:

- Low price and good value are not the same thing. Don't think that if you drop your price, customers will come flocking to you. Instead, they might think you are cheap and nasty and avoid you.
- People should squeak (slightly) at your price. You can always lower your price by offering them a special discount, which will make them feel good.
- You don't want to win every customer. It is much better to have 5 customers paying you £20 an hour than ten paying £5.
- Give a menu of prices. Perhaps have a low entry price for your service, but concentrate on offering the value-added extras to your product or service.
- Be very careful of VAT implications as often the threshold for registration can be reached quicker than you think. For more information contact your local Customs and Excise office.

How many will you sell?

This is determined by two things; how big the market is and how many you can physically make and sell in a day. To determine the size of the market, you need to make some sales assumptions, based on your market research.

Market research

Good market research is a tricky business. The worst type of assumption to make is just to look at the total market for a product and assume you will automatically win a certain chunk of it.

The following are the only realistic ways to make assumptions:

- Ideally you will have been able to sell some products initially. You can then make realistic extended forecasts based on increased sales and marketing.
- Perhaps you have experience in the industry with a previous company. You can use estimate figures from here.
- Find out how your competitors are doing.
- Best of all are actual orders from customers, or letters of intent from people who will buy from you once you have started.

How many can you sell?

As you are enthusiastic to make your business work, it is tempting when writing your plan to assume you will work full-time every day. But assuming you can spend 100% of your working day being paid for your work is a mistake.

Take the example of a landscape gardener. You get paid for every hour on site. However, you need to include travel time between jobs, and time to pick up supplies. You also need time-off to do your sales and bookkeeping. You also need to take into account holidays, seasonal fluctuations, bad weather and customers missing appointments. A more realistic capacity is probably around 60-70%.

Your Costs

There are two types of cost:

1. Your direct costs
2. Your overhead costs

Direct costs

This is the cost of producing each item. It is made up of two elements:

Raw material cost

This is the cost of the 'ingredients' in each product. Some of these will be obvious, but also look at hidden costs. If you are making pottery, don't just put in the cost of the clay; also estimate an element of the electricity or gas cost to fire the item.

The cost of your time

Typically one of the biggest mistakes people make starting out in business is failing to properly cost their own time, or underestimating how long it actually takes to make a product or sell a service.

Make sure you cost your own time properly

You might be willing to work 60-hour weeks, for 50p an hour when you start out. You set your prices accordingly, and work takes off. You then find you are stuck. There are only so many hours in the day for you, and no one else will work the hours you do for the price you have set. You are trapped.

So, put in an honest rate for how much you would have to pay someone else to do your job. OK, so you might offer a discount on your products or service to start with, but at least you know the market price you should charge once you have established your business.

Overhead costs

These are fixed costs that you will incur no matter how hard you work. Examples are professional fees, rent for premises, car loans, business rates etc. As the name implies; these costs will hang over your head regardless of how many items you sell. Therefore:



Section 2: The Plan

Keep your fixed costs as low as possible.

As the section on cash flow explains, there will often be a few months where you make little or no money. But your overheads won't just go away, and it can only take a couple of bad months – even with a fantastic business – to put your business under.

TOP TIP: Working at home vs business premises:

When starting out, consider working from home. It's not ideal, but if you have a couple of lean months, you will not have to worry about rent and other associated costs. If you are taking on an office or premises, go for cheaper ones initially, and be VERY wary of signing long leases – you will not be able to escape these even if your business stops. If you need to meet possible clients, avoid bringing them to your home office. If possible, try and meet them at a local hotel or rent a room for an hour in a local business centre.

CASE STUDY

George Kerr, Cosmos Garden Design, Glasgow

George originally began by offering gardening services to domestic and corporate clients. He had no need for premises (apart from a large garden shed), as he met clients on site to discuss their requirements. He spent a great deal of time working at various sites and purchasing plants as required for each individual job. Several years after starting his business he still has no need for premises but has a small office area in a room of his home to complete his books and paperwork.



Break-even point

Once you know how many you could sell, you need to work out how many you can sell, and how many you must sell.

Once you know all your costs, you can work out your break-even price. This is the minimum price you have to charge for each item to cover costs.

How many must you sell: As well as a break-even price, there is also a break-even level of sales. As some of your costs are fixed overheads (in particular, the amount you need to live on), there is a minimum number of items you must sell in a year to cover your fixed costs. When you calculate your projections, make sure this level at least covers your overheads.

Simple planning tips

The following tips should help you with your planning.

- **Focus on satisfying a customer's need**
If this sounds obvious to you – good, because there are an awful lot of companies who don't. They become so engrossed with how fantastic their product is that they completely lose sight of why a customer needs it in the first place. And bear in mind, these needs can change quickly, so keep checking with your customers what they would really like. Ask and listen.
- **Give yourself time and space to get it wrong**
It is highly unlikely you will immediately hit upon what your customers want, so try to start your business on a tightly controlled budget, and give yourself time to find what your customers really want.
- **Share your plan**
There is nothing like having to explain your plan to someone else to make it clear in your own mind. Talk your ideas through with family and friends and check they understand what you are planning. If they don't, you may have to do more research or explain things without jargon.
- **Do dangerous things safely**
Success always involves an element of risk, but the careful entrepreneur always looks for a way of minimising this risk.

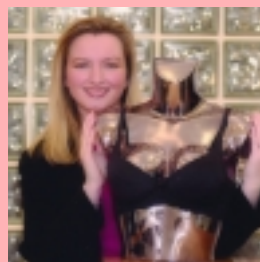
CASE STUDY

Craig Crosbie, Skidz Ltd, Falkirk

Craig set up his vehicle accessory business from a tiny shop in Falkirk. He built up a loyal clientele through excellent service, while keeping his costs down. He then got a credit broker's license that allowed him to give credit to his customers for more expensive purchases. In one year, his turnover jumped from £60k to £350k and he was able to expand into a large show-room across the road.

PSYBT gave me the support and finance I needed to start my business when others would not help.

Michelle Mone, MJM International, Glasgow
PSYBT supported business and board member



RAISING FINANCE

Spend as little as you can to start with

There is a lot to be said for starting up cheaply. You are unlikely to get it completely right when you start up. If you haven't made huge financial commitments on equipment or supplies, you can change quickly and easily.

Starting cheaply does not mean you will be any less of a business. Many of the largest companies in the world, such as Dell Computers, started off with very little cash in their early days.

How to keep your expenditure down:

Do you need it?

Really think through every purchase you want to make and ask if it is essential. Do you have to have a brand new shiny computer/car, or can this wait? Do you need an office, or can you start off working from home, or even from a desk at someone else's office? Don't buy outright. You will find many of your proposed outgoings are things you want rather than need for your start up.

If you really need equipment, it is preferable that you rent, lease or borrow rather than buy it. The temptation is to think you need to own all your equipment, but this isn't so. By leasing, you can update to better equipment quickly and cheaply when you have more cash available.

Negotiate and shop around

Everything is negotiable. Always ask for a discount when you buy things. Ask if there is a discount for paying in cash, or paying early. The worst thing they can say is no.

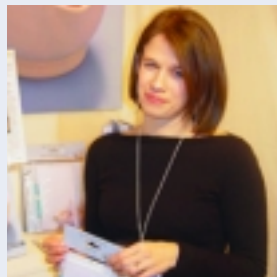
Get your customers to pay for your set-up

This might sound a little strange, but don't overlook your customers as a source of start up finance. If you are developing a product, see if the client will pay part of the development costs:

CASE STUDY

Kerri Binnie Middleton, K2 Products, Edinburgh

Kerri produced a prototype version of a Christmas card tree for holding lots of cards. She took it to a major retailer who loved it, and ordered 10,000. She then persuaded her parents to help pay for the first print run to fulfil the order. Kerri has now designed several other innovative products from her first basic idea.



Warning – Credit cards: There are many stories of gutsy American entrepreneurs who start up by borrowing lots of money on credit cards and using this to launch a business. OK, it might be easy, but it is both incredibly risky and incredibly expensive. The risk is you get stuck in a spiral of debt, using one card to pay off another and all the time facing interest rates of up to 20%. We would not recommend this funding strategy.

Sources of finance

Of course, sometimes you have to spend money to make money. The following are the most obvious sources of borrowing money:

Your own savings

There is nothing like spending your own hard-earned money to really focus your mind. It is also a great sign to other investors who are much more likely to come in if they can see you are taking an equal personal risk.

At the same time, keep some savings. It is a timeless rule of business that you will need more money than you anticipated. It also makes it much easier to sleep at night knowing you have a little emergency cash stashed away.

From family and friends

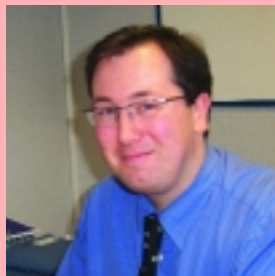
You may think this is the cheapest source of money, and in real terms it often can be. However, the emotional cost of this can be huge. If you are going to borrow from friends and family – do it professionally. Draw up a simple agreement that says what they are getting for this investment (or gift if you are very lucky), and exactly when you might be able to repay it. You might have neither of these, or there may still be a funding shortfall. You may need help from outside organisations.

The Prince's Scottish Youth Business Trust

PSYBT is the largest lender of unsecured finance to young people in Scotland. PSYBT's position is 'the lender of last resort' – we are there to lend money when you have exhausted all other sources. Of course, we give you far more than the money, and this other support is just as invaluable.

‘The money PSYBT gave me to start my business was really important, but without doubt the best thing about them is the fantastic aftercare system they have in place. My adviser was and still is an amazing inspiration for developing my business.’

Stuart McDonald, Seric Systems, Paisley



Section 2: The Plan

The full PSYBT process is described at the back of this guide.

If you receive start-up finance from PSYBT, you might also find banks willing to lend to you as they respect PSYBT's lending decisions.

What legal form of business?

When you start in business, there are three basic legal forms you can take; your local PSYBT regional manager will advise you on this. To summarise:

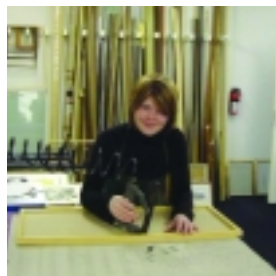
Sole trader (or partnership)

This is the simplest form. It requires little paperwork, and is the simplest from a tax point of view. A downside is that as you are the business; should the business go bust, people can come after you personally for any debts you have. In a partnership, all partners are liable for the debts – if a partner was unable to pay, the other partners would be legally bound to cover the debt. Although not a legal requirement, a partnership agreement can be drawn up to clearly lay out what is expected from all partners.

Limited company

As a company, your business becomes an entity in its own right, and you become an employee and director of the company. The main attraction is that this will limit your liability to any debts should you go into liquidation. However, you will often have to give personal guarantees on any borrowings, which wipes out your limited liability. There is a different tax regime for limited companies and a more stringent reporting requirement.

TOP TIP: Be careful of your reasons for going into partnership with someone.



Many people start their business in partnership. This can be because they have complimentary skills. However, it is often mainly because they are afraid of going into business on their own or because they have been good friends since school.

There is a risk that as your business develops, you can grow apart, and this often leads to problems in small businesses.

So, be honest with yourself. If you are going into partnership just because you are nervous, then bear in mind it is much easier in the long run to build up a network of friends and supporters who are not directly involved in the business.

If you are doing it for strategic reasons, then draw up a detailed partnership agreement at the outset. Complete the Agreement and then file this in a bottom drawer in the hope you will never need it.

The Bank

Sooner or later, you will end up at the bank, either to deposit your hard earned cash or with your business plan prepared to borrow money. You might think that the only help a bank can provide is by way of a cheque book and an overdraft but in fact a Bank can help with a

number of services: overdrafts, loans, investments, insurance, savings, hire purchase for computers, equipment and cars etc.

Many people are nervous about going to banks. You shouldn't be. They are keen to lend money to well thought-out businesses.

The first stage is to reassure them you are serious about your idea. Present them with a professional image. Show them you have done your homework and carried out extensive research. It will also reassure them if you have a range of finance from different sources; your savings, PSYBT and orders from customers.

If you don't get acceptance from a bank – be sure to find out exactly why. Then try elsewhere. Many successful businesses were originally turned down by the first few banks they went to.

If you have borrowed money from a bank, then you need to treat them a bit like a customer, and make sure you build a good relationship with them.

When you win new work – tell your bank, or send them press cuttings. If you need more money, they are more likely to lend to someone they know and trust. Don't just contact your bank when you need money or things are difficult. They have to know when things go well to understand your business has highs and lows.

Grants

Don't get hung-up on trying to get 'free' money: all start-up businesses would like to fund all of their costs through grants. It is a myth to think there are large amounts of free money floating around. There may be specific support in some areas. This might be for certain industry sectors, for training, or support with e-commerce or exporting. Bear in mind, this is not just 'easy money'. You will have to be very professional about how you apply for this money, and the process is the same as trying to secure any other type of funding.

CASHFLOW AND BOOKKEEPING

Many businesses with fantastic potential, great products and customers lined up can go bust simply because they don't have enough cash in the bank for a short period. All it takes is a few of your customers paying late, a series of regular overhead payments, and a limited overdraft to do this. Ironically it is often businesses growing fastest that run into these problems. Good cashflow will not make your business a success. However, lack of attention to it can break your business almost faster than anything else.

- **Get to know your books**

Many entrepreneurs are terrible at figures. In fact, it is quite rare to find a natural sales person who is also a natural accountant. However, you must understand the fundamentals of your accounts. This helps you to know how your business is doing so you won't be taken advantage of. PSYBT has bookkeeping trainers to help you understand your books, with workshops and one-to-one training provided free.

- **You don't have to do it yourself**

However, once you have a grasp of your books, and assuming you still hate them, then don't worry – you can get someone else to do it for you. Getting a bookkeeper needn't cost

Section 2: The Plan

the earth – negotiate a rate for an afternoon a week. It may seem like a cost in the short term but when those cheques roll in, it will be well worth it.

- Be careful who you work for
Unfortunately, there are quite a few dodgy business people out there, and they can play havoc with a new-start business. Remember, if something sounds too good to be true, it probably is.

‘I found the PSYBT bookkeeping course to be very valuable to my personal development and essential for the successful running of my business. I am really pleased that I attended. ’

Emma Craig, Beauty Licious, Tayside

TOP TIP: If you are unsure about someone's reliability – ask him or her to pay a deposit, or first stage payment for work in progress. That usually sorts out the people who have no intention of paying you.

Getting people to pay

This can come as a real shock. You have delivered a great service for your customer, they are happy with it, and yet they never quite get round to paying. Unfortunately, this is all too common in business. Remember,

UNTIL THAT MONEY IS IN THE BANK (AND THE CHEQUE HAS CLEARED), YOU HAVEN'T SOLD ANYTHING.

Here are some tips for getting paid:

- Don't automatically give credit. Giving credit to people is exactly the same as lending them money. Just think how many new clients you would be happy to do this for.
- Invoice them in stages from the start of the job.
- Don't place large orders with suppliers on behalf of new customers. Their non-payment can put you out of business at a stroke. Let them place the order directly with the supplier. You can always convince them of the discount they will get by going direct. In the longer term, you can then do this for them, when you have established their reliability.
- Don't pay bills early, but try and help other small businesses by paying on time.
- Many companies operate a policy of not paying until shouted at. Start phoning people who are due to pay you a few days before the due date. You can check that they have your invoice and that there will be no problems. This lets your customers know you operate an efficient business.

A foundry business was experiencing a tight cash squeeze. The MD told his bookkeeper to write out 63 cheques for all his creditors, but to lock them in a safe until they phoned up for payment. A couple of months later, his position was better, and he asked the bookkeeper about the cheques. 57 were still in the safe.

TOP TIP: Don't rely on regulation. There are now statutory charges on late payment of bills, and many people put this on their invoices, but it is very hard to enforce.

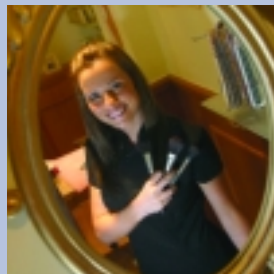


Section 3
**GETTING
THE BUSINESS**

Section 3: Getting the Business

One of the most satisfying things about my job is the word of mouth that has brought people to my business.

Elaine Agnew, Eden Beauty Rooms, Inverclyde



YOUR PRODUCT OR SERVICE

How to make your product or service the best it can be:

Sell the benefits:

A CUSTOMER IS NOT INTERESTED IN YOUR PRODUCT/SERVICE – THEY ARE INTERESTED IN WHAT IT CAN DO FOR THEM.

For example, Aspirin is not sold as a shiny white round pill, which is what it is, but as a headache remedy. If this sounds obvious, then wonder why there are so many types of mascara on the market; 'lengthening', 'curling', 'thickening' etc.

Exercise

Draw up a list of five main features of your product or your service. In the column next to this, add what the benefits of this feature are to your client. The column on the right is how you should describe and market your product or service.

Feature	Benefit
Example: <i>I use a stronger wood to make my furniture</i>	Which means for the customer: <i>"Furniture built to last you a lifetime"</i>
1.	
2.	
3.	
4.	
5.	

Ask yourself what people are really buying from you

It is important to think hard about what it is that your customers most want from you.

For example, you run a gardening service. What is it that customers most want from your service – is it just someone else to do the backbreaking labour, or could it also be botanical knowledge, or creative flair in garden design? Don't just be blinkered by what they've bought in the past, or what your competition is doing – try to find out what they might want, but no-one has offered.

Be different:

Peter Wood became a multi-millionaire and revolutionised the centuries-old insurance industry. How? He just used a bright red telephone. But before Direct Line, no one else had thought of selling insurance direct over the phone.

You can gain a great advantage over your competitors by continually thinking of what your differences are. This is known as your 'competitive advantage'.

If you offer a gardening service, what about a computer garden design thrown in for free? Or a hairdresser, how about a shiatsu head-massage at the same time.

If your only advantage is a cheaper price, it is going to be a long hard slog for you.

FOCUS ON QUALITY

As a young person starting out from scratch, the quality of your product or service will be very important. By focusing on excellence, you can build a wide reputation and a much higher price, while still remaining a small business. There are two elements to quality;

Consistency: To get your customers to keep coming back for more, and spreading the word to new customers, you need their trust. This trust is based on the fact you will always deliver what you say you will, when you say you will. As you start trading, it is very important to start building in quality control stages into your production. These do not need to be hard work – it can be as simple as getting another pair of eyes to check over an order before it goes out.

Excellence: At the same time, don't be misled into thinking quality is not just the absence of any errors. Your aim must always be to exceed the expectations of your customers. If your sandwiches are thicker than your competitors, or much fresher, the good word will quickly spread.

Section 3: Getting the Business

CASE STUDY

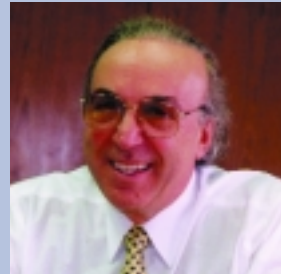
Lucy Woodley, Lucy Woodley Jewellery, Highland

Lucy Woodley is an extremely talented jewellery designer based in Easter Ross in the Highlands. Her high-quality jewellery, predominantly based on marine themes, has gained quite a following from regular clients wishing to acquire unique handmade miniature works of art. Many of her pieces are produced to private commission but her work is also on display in galleries throughout the UK.



*‘The secret of business success?
Sales up...Costs down...Cash in...’*

Gio Benedetti, Entrepreneur and PSYBT board member



SALES

SALES ARE THE SINGLE CRITICAL SUCCESS FACTOR IN YOUR BUSINESS.

It doesn't matter how well kept your books are if you don't have any customers.

Many good entrepreneurs are mainly just excellent sales people. Marks and Spencer started off as market barrow boys. Richard Branson started off in a telephone box. However, don't worry if you are not a 'born salesperson'; you can learn to be good at sales.

Some people hate sales, and for a reason...

Prepare yourself for rejection

When he started his Kwik Fit business selling tyres, Tom Farmer got a lot of knock-backs. However, he soon found that about one in twenty calls would be a sale. He said he then stopped worrying about the 'no thanks', as each one was just getting him closer to that 'yes'.

The reason we don't like selling is that we don't like personal rejection. This is because we take most of our sense of identity and self-worth from what others around us tell us. If you keep getting knocked back, don't feel miserable.

However, bear in mind it's a numbers game. You have to go through many knock-backs before you get your dream date. The trick is to handle these rejections and not to take it personally. Here are some tips:

Some essential sales tips

Timing

Some sales happen because you called someone at the right time. Try to make this work in your favour. Look to see if there are peak times in the day, year or month that people most want to buy from you.

TOP TIP: Also a great sales time is after change. Maybe a new person has come into the company, or someone has repainted their house.

Get the right person

You may think sales calls can be scary; they needn't be. Sometimes the temptation is just to spend time talking to the people you like. However, just because they are nice to you doesn't mean they hold the purse strings.

To find this out, you might just have to be blunt. Ask them outright who will make the final decision, and whether it is worth speaking to them as well.

Reassure people

Selling is about trust. That explains the enormous power of brands; in a confusing and busy world, people just plump with the stuff they feel safest with. You have to be the best, and the most reassuring.

Section 3: Getting the Business

Don't just think this is about big business – this is even more crucial in small businesses. So start to think of ways to build this trust.

- Get referrals: if their friends/colleagues bought from you, then your customers will feel happy. Ask each customer or contact for three other contacts.
- Get testimonials from every other client you work for.
- Try to get some 'big names' on your client list.
- First impressions count. What is important here is not flash and expense, but consistency. If all your literature looks the same, and your signs, even the way you answer the phone, people will be impressed, and reassured about your business.

CASE STUDY

Steven Campbell and Stuart McKeag, Next Door.com, Glasgow

Next Door.com design, manufacture and fit doors. Despite being a small business, you are immediately impressed by their professionalism. In their shop, all the staff wear the same outfits, the fitters have overalls with corporate branding, as do the vans, which are always bright and clean. This gives great reassurance to customers that they are dealing with a professional outfit.



Ask good questions

Remember: selling is not about you – it is about your customer. To find out what they want you are going to have to question. The best questions are open ones that cannot be answered with just yes or no:

Bad questions	Good questions
Have you ever thought about?	What are your main objectives?
How many products do you have?	Why do you focus on this?
Do you ever buy from sales people?	How do you choose a supplier?

TOP TIP: Listen to what people are telling you, don't just hear what you want.

Handling Barriers

As odd as it may sound - barriers are good. Think back to the last major thing you purchased. There were probably many questions you had to ask. It shows you are serious about making a purchase, and just want some reassurance. If you can successfully answer customer objections, they will often give you the work.

Exercise

Here are the three main customer objections and how to handle them:

The Customer says	What they mean	What you say
I'm happy with my current supplier	Loyalty	1. Don't slag the competition – you will undermine the person you are selling to. 2. Ask lots of questions about the competitor's service/product. 3. Stress the difference of what you provide. 4. Get them to consider a trial offer.
I can't see me needing that	Demand	1. Actively question them about why not. 2. Talk through your current customer base and why they use you. 3. Come back to them.
It's too expensive	Price	1. Question the client 'what makes you say that?' 2. Get comparison with other products. 3. Question them on the benefits you offer and their needs. 4. Stress the value you add and not the cost.

Section 3: Getting the Business

In the space below, write down the most common objections your customers might come up with.

In the space next to this, write out what your possible replies will be. If necessary, try this out with some friends, and see if you can come up with answers to all of their possible objections!

Having this down on paper will make it much easier to respond automatically when the time comes.

What the Customer says	What they mean	What you say

Keep your spirits up

No matter how good you are, making sales calls is possibly the hardest thing about being in business. So try to make it easier on yourself.

- Set yourself a target. Say perhaps 20 cold calls a week. Once you have done these, give yourself a break and don't worry about it for the rest of the week.
- Group all your calls together, and start with the easiest calls first. This will help build your confidence.
- Reward yourself. Every time you win a new piece of business, give yourself a sales bonus.

It doesn't have to be cash; it could be a nice meal, a CD or bottle of wine.



PROMOTING YOUR BUSINESS

80% OF SALES COME AFTER THE FOURTH CONTACT YOU MAKE WITH A PROSPECT.

Don't put all your effort into one piece of marketing and sit back to wait for the customers to roll in.

Someone might see your flyer sitting on their doormat, and register a vague awareness before stepping over it. Then they might read something about you in the local paper and actually have a desire to use your service, but still not pick up the phone. It is only when you give them a call that this turns to action.

It is a sad, but inescapable truth; your customers are unlikely to beat a path to your door – you have to go out and get them.

Similarly, even if you have a good sales lead, it may take a while before the deal is actually signed. Persistence is everything but be careful you do not pester people.

TOP TIP: When someone gives you their business card, write a few notes on the back about where you met them, what you spoke about etc. They will be impressed when you next contact them and are able to recall the conversation you had with them.

Section 3: Getting the Business

Some promotional techniques

Keep your customers loyal

YOUR CURRENT CUSTOMERS ARE YOUR FIRST PRIORITY.

There is no point busting a gut winning new customers if your existing customers just walk out the door.

You needn't go to huge lengths with this – it can be as little as a phone call to ask how things are with them. Send them a card on their birthday, or a bottle at Christmas. Keep notes on them – are they getting married, moving house? Ask them about these things.

You should keep doing this: 10% of people change jobs every year. If your customer moves, try to keep in touch with them, and make sure they give you a personal recommendation to the person taking over their job. And go right back to stage one with this person.

TOP TIP: Someone moving jobs is a great chance to pick up work from a competitor. If there is a new person responsible, get in to see them as soon as possible – you can get a great head start on your competitors.

Cross selling

IT IS FIVE TIMES EASIER TO SELL TO AN EXISTING CLIENT THAN IT IS TO A NEW ONE.

If you have sweated blood to get in with a new client – keep selling to them. Go back to them and sell them other products and services. Think laterally about what these services might be.

They obviously like you enough to buy it the first time, so no reason why they shouldn't continue to buy.

Word of mouth marketing

This is the holy grail of marketing. You don't have to do the legwork, but people beat a path to your door. Nice work if you can get it? Well the following can help:

- Give out rewards for referrals: e.g. if an existing customer recommends someone, they get a free set of sprocket spanners and the new customer gets a free windscreen wash.
- Give people things they can pass on: give them cards, stickers, brochures – anything they can pass on to friends and families.
- With each customer, make it a point of principle to ask for the names of three other people you might be able to speak to.

TOP TIP: Encourage people to complain. This may sound like strange logic, but consider the numbers. While a happy customer might tell one other person, an unhappy customer will tell around five others, and the bad news will spread.

Get customers to give you their feedback. Have comment boxes for customers, and make the effort to ask people how happy they are with your product. Don't just rely on them telling you. Unhappy customers often don't complain, they just do not buy from you again.

Direct marketing

This usually involves everything from sending out a mail shot to a large audience, to flyers under windscreen wipers.

The temptation of this is that it is easy to do (or sure beats having to call them directly). The problem is that even the largest companies typically only get a response rate of 1-2%. Like all forms of marketing, it works best when it is part of a package.

If you are going to do it, then here are some tips:

- Make sure your database is good: you can try the local enterprise agencies for lists.
- Do a trial run with a limited number first, and get someone to check this for you.
- Make it different: to stand out, make your mailing look different or unusual.
- Follow it up with a call. Your hit rate will go up enormously if you call people up a few days later.

TOP TIP: Make sure you are aware of the current Data Protection Act; this legislation may prevent you from contacting some potential customers. More information can be found by visiting www.dataprotection.gov.uk

Do I need a website?

They can work well as part of a marketing package, and build reassurance.

Some people spend a fortune on websites in the hope that people will beat a path to their door. There are no short-cuts in selling – you are going to have to work a lot just to get them there in the first place.

PR

Getting a mention in the press can be valuable. It is probably cheaper than advertising, and more credible. It can also build a good buzz around you, and reassure customers.

Tips to getting a mention in the press

- Journalists are human, so:
 - They want to see a small business do well, particularly up against a big company. Phone them up and tell them your story, and play on their sympathies.
 - Build a relationship with key journalists.

A PSYBT employee took a journalist from one of the national papers out for lunch. He was extremely interested in the work of the charity and the young people helped. Over the next year he ran six half page spreads on PSYBT supported businesses. An initial outlay of £32 brought in tens of thousands of pounds of good publicity.

Section 3: Getting the Business

- Send them a thank-you after a good story; a box of biscuits or chocolates are always welcomed in an office environment.
- A good photo can be better than a long press release.

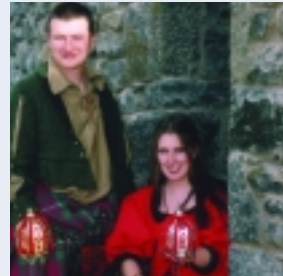
Advertising

Advertising is an easy way to spend a lot of money very quickly. Remember the cardinal rule of marketing – people won't buy your product/service the first time they hear about it. If you are going to advertise, have a strategy and monitor results closely.

CASE STUDY

Jim Hughes and Karen Bell, Caledonian Creations, Dunbartonshire

Jim and Karen produce high quality handmade leather products based on traditional Celtic designs. They are also involved in battle re-enactments and will turn up to trade shows in full battle regalia. This draws customers to them and they also find the local press will run press releases because the photographs are so striking.



TOP TIP: Don't be talked into taking advertising by good salespeople. Work out your promotional plan in advance and stick to it. Don't be tempted by huge discounts or special 'just for you' deals. This usually means they are struggling to sell space.

Networking

This is the art of mingling with prospective customers for mutual benefit.

There are many forums (both formal and informal) where you can do this; local business clubs, industry events, sports events etc. However, before attending each one, carefully consider whether you will actually meet many of your potential customers there. Always take business cards with you and get cards from anyone you think could be a potential lead. Send them an email or short letter saying how nice it was to meet them. Follow this up with a telephone call a few weeks later.



Section 4

MOTIVATION

I never had a definite goal in mind when I started out, I just wanted to grow. There is a certain logic to business and our attitude was to take things one thing at a time and see what developed.

Tom Hunter, Founder of Sports Division and D2 Jeans and PSYBT board member

REACTING TO CHANGES

Once written, a business plan often sits in a bottom drawer gathering dust. However, it is important that you keep re-thinking where your business is going. The best businesses are those that are quick to change and adapt to customer demand. This is where your aftercare counsellor from PSYBT can really help.

Making the most of your aftercare adviser

One of the best elements of PSYBT is the support you will get from your aftercare adviser. These are experienced business people who have learnt themselves and have often seen many other businesses go through the same experiences as you. It is important to get the most you can out of them.

Prepare for the meeting. Get your figures ready and think of all the major questions or issues you want to raise with them. Keep an on-going list of questions pinned to your wall and add to it as the month goes on.

Be honest. Your adviser is not there to judge or check up on you; they are there for your benefit. If you are having problems in areas of your business – talk it through with them. They might also be able to suggest ways round it or other sources of support. And sometimes, just sharing a problem with someone can make it seem far less worrying than you'd imagined.

Use their contacts. Success in business is sometimes described as not so much about know-how, but more about know-who. If there is a particular client you want to sell to, or some specific advice you need, ask them. They might not know someone themselves, but they will very often know someone else they can find out from.



You need to believe in yourself and your business idea 100 per cent and remember that not everyone will be supportive; never let this affect you or your business. You need an unbelievable amount of determination; never let problems deter you either. Even on a bad day, try and remind yourself why you are doing it and how much fun you can have running the company.

Natasha Marshall, Squigee Textile Design, Glasgow
PSYBT supported business and ambassador



KEEPING YOUR SPIRITS UP

There are not many books on failure. However, you have to face the fact that at some stage, you will have a failure. It may just be a small failure, but your ability to deal with it, and keep going, will often determine your success in business.

Accept that it will not all be plain sailing

Business, like all things in life, goes through seasons. You will grow in fits and starts. If it is going right, don't assume it always will and go out and buy a flash sports car. Similarly, if things are going wrong, accept this might just be a phase, with success just around the corner.

Watch out for the danger signs

It is unusual for one major thing to sink a business, but rather a combination of many smaller things. These can be breaching your overdraft level repeatedly, missing delivery dates, getting letters of complaint from customers, you getting sick, customers repeatedly being late paying invoices. If these start to happen – take a step back and look at what is really going on in your business.

Admit mistakes as they happen

Tell clients as soon as something has gone wrong, and don't hide anything. Be very upfront. The most important thing is that they trust you. Sure, it will be hard for a short period of time, but will get easier after this. They will then feel more forgiving, and will trust you more next time. If you have made a mistake, a genuine and heartfelt apology will usually defuse any situation.

Don't hide

If you are having problems, don't retreat under your duvet and refuse to speak to anyone. It may seem like a good short term strategy, but your problems will not go away. When you confront your problems or mistakes, they are never as bad as you had imagined them.

Don't keep all your eggs in one basket

Don't depend on just one big client, or sector – this can change in an instant, and your business with it. There is no such thing as a cast-iron customer.

Section 4: Motivation

Surround yourself with supporters

Isolation is a terrible problem for people starting out in business. You are working on your own on a rainy day, and a customer gives you a hard time. Without anyone to share the misery with, it can get too much.

Try to surround yourself with positive people who believe in you. A good source of inspiration is other people who have started in business. They will understand intimately the problems you are facing, and can share the horror stories. You don't have to literally bring them around you, just take time to chat to them.

TOP TIP: Perhaps meet up once a week in the pub, or have a list of people you can phone or email to see how things are going.

Elevator is a pilot project running in Glasgow (with PSYBT as one of the partners), which encourages young people to meet once a month to discuss business ideas in a supportive environment. There are guest speakers and networking opportunities at every meeting. It is planned to expand the club to other areas in Scotland in the future. For further information on Elevator visit www.elevator.uk.net



Keep the vision

Remember where you are going and what you are in this for.

Take time off

Success is more a long hike than a quick sprint. You cannot go flat out every day for months without a break or a) you will run out of steam or b) you will end up hating your work.

Take short breaks during the day. You can only concentrate effectively for 40 minutes at a time. Have a nice lunch break, or just go for a walk, or call a friend.

Avoid negativity

Excessive negativity can eat away at you. If someone says you look ill, in about ten seconds you will start to feel ill. Don't listen to the negative chat of others, and don't indulge in it yourself.

Failure is only the opportunity to more intelligently begin again.



Section 5 **CRITICAL PREPARATION**

Section 5: Critical Preparation

THE PSYBT PROCESS

The Prince's Scottish Youth Business Trust was launched in 1989. We are a charity set up to help young people in Scotland start up and continue in business. Since we started, we have helped almost 7500 young people start their own business.

In addition to low interest loans and grants, we also provide support and advice after a business starts to trade. If you need more detailed information on what we can provide please visit our website **www.psybt.org.uk** or contact your local PSYBT regional manager.

Below you will find a detailed guide to our services.

Pre-start Stage

It is key when planning your business that you create a business plan. This should cover all the areas you will need to consider in order to make your business successful. This will make it easier to source funding and also, as your business develops, it will ensure that you can check your progress along the way. The business plan is like a road map from departure to arrival at your chosen destination – a successful business. Firstly, at the preparation stage when you are working on your business plan, the local PSYBT regional manager will be able to help or to direct you to those people or agencies that will be of most assistance to you. They will be able to guide you in the best way to undertake your market research. If necessary, we can assist with a market test grant of up to £250. This can be used to carry out market research relevant to your business idea or it can be used to make a sample of the product you want to produce.

This process will help you decide if you have a viable business idea or if you need to do more work in certain areas.

Panel Process

When your business plan is ready, we will arrange for you to attend a funding panel interview. The panel is made up of three or four members of your local business community. They help on a voluntary basis because they want to see young people succeed in business. The panel members will have read your business plan and will discuss your business proposal with you for about twenty minutes, after which you will leave the room while they discuss your application. You will then be called back and the panel chairman will tell you of the decision. In certain cases they may place conditions on the award, such as having a signed lease if you are renting premises. In cases like this the conditions have to be fulfilled before the money is released to you. The conditions are always meant to ensure your business has the best chance of success.

Award Granted and Starting Up

Once the panel have agreed to fund your business and you have completed any conditions they may have stipulated, you will complete the relevant loan agreement and direct debit and a few days later your regional manager will present you with your cheque. We offer loans of up to £5,000 at a flat rate of 4%, which can be repayable over a period of up to five years, and in certain cases where an individual is facing severe challenges, a grant of up to £1,000. If your business faces cash flow problems at some point, and most do, we can reduce your payments for a few months to help you get over this stage. The key to all problem solving is communication and PSYBT will always be here to help you.



Aftercare

The aftercare programme now kicks in. This programme ensures that you have the best possible support in the initial stages of your business. You will have three visits from your aftercare adviser in the first three months. Thereafter, he or she will visit you every quarter. However, if you need help between these visits there will always be someone available to help you deal with any new problems or questions you have. In all, your aftercare adviser will be with you for two years: it's like having an unpaid consultant and is a really valuable source of help. The aftercare covers all aspects of your business from sales and marketing to cash flow. Don't be afraid to let your adviser know of any problems you are having: you are unlikely to be the first to have experienced them.

Expansion & Growth

If your business takes off and you are ready for expansion but are unable to secure funding, we operate a growth fund which you may be able to access. Through this fund we can offer loans from £5,000 to £25,000 to help you grow your business.

BUSINESS PLAN CHECKLIST

The following is a good example of a business plan contents guide. It covers all of the areas you should include in your plan. This is the kind of information funders will expect. It is also a very good way to check you have done your homework.

Introduction

- **Business Idea**
Describe your business idea, what it is you will be doing
What type of service or product will you be offering?
Who your customers will be
- **Personal Details**
What skills/experience do you have that will help with the business idea?
Summarise your work experience and your CV
What qualities do you have which will help you run your own business?
What additional skills do you think you might need?
What other support will you have, e.g. family support?
- **Physical, Legal and Financial Factors**
Will your business be based from home or from an office?
Do you need special equipment for your business?
What type of business will you have: sole trader, partnership etc.?
How much money will you need to start up?
How will you access this money?
How much will it cost to make a sale?
Will you need any other types of assistance?

Market Research

- Customer Profile
 - Who will your customers be?
 - What do they want?
 - Why do they buy?
 - How do they hear about your competition?
 - How many do you have through your test marketing?
 - Customer references should be included in the appendices
- Competition Analysis
 - How do your competitors weigh up?
 - List five competitors and how their services meet customer requirements
 - Where are they based and what areas do they operate in?
- Suppliers
 - Who are they?
 - Why have you chosen them?
 - What are your other options?
 - How do they market themselves, e.g. price over quality etc?
 - What do they demand from you?



SWOT Analysis

- Strengths, Weaknesses, Opportunities and Threats
 - Write a list in relation to:
 - Yourself
 - Customers
 - Suppliers
 - Competitors

Section 5: Critical Preparation

Marketing

- **Service/Product**
What range of services or portfolio of products will you offer?
Describe your service or products
What image will it give and why?
What add-ons can you offer?
- **Pricing**
High, medium or low?
How will price affect your image?
How does it compare with your competitors?
Cost out a typical job
What would you charge a customer on an hourly rate?
- **Location/Place**
Where will your business be based and why?
Is the location or method of distribution appropriate in terms of costs?
Market, competition, accessibility, image, staff, security, etc
What image will it give?
- **Promotion**
What are the main ways you will promote your business?
Include: sales promotion; advertising; special offers; trial offers; mail shots; leaflets etc.
Why would you use each one?
How do they relate to the sales figures?
How do your competitors promote themselves?



Sales Targets

- What do you expect your sales to be in month 1 of your business?
What will be the maximum sales in a month?

Financial Analysis

- Draw up a list of your start-up costs
- Calculate what you personally will need to take in drawings each month (Personal Survival Budget)
- What will it cost to run your business (overheads and direct costs)?
- Do you know your profit margins and the break-even point?
- Sources of Finance

Time Management & Support

- How will you manage your business?
- Outline a typical day/week. Who will staff the business?
- Do you have support from friends and family?
- What will happen if you become ill?

Future Plans

- What do you and your business hope to achieve over the next year?
- Where do you want your business to be in the next five years?
- What are your aims and objectives?

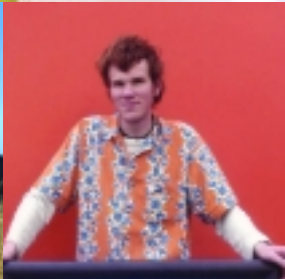
Appendices

- You would also include the following appendices if appropriate:

Curriculum Vitae
Customer Testimonials
Insurance Quote
Advertising Quotes

Client Quotations
Plant & Fittings – Costs
Legal Requirements – Licences/Insurances
Examples of Promotional Materials







“Setting up in business for ourselves has been one of the best things we have ever done. The enjoyment of working really hard but seeing the results means an awful lot to us. It’s great to be your own BOSS!”

‘An excellent insight - a great read - I wish I had had something like this when I was starting off.’

Tom Hunter

Founder of Sports Division
and D2 Jeans and
PSYBT board member



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