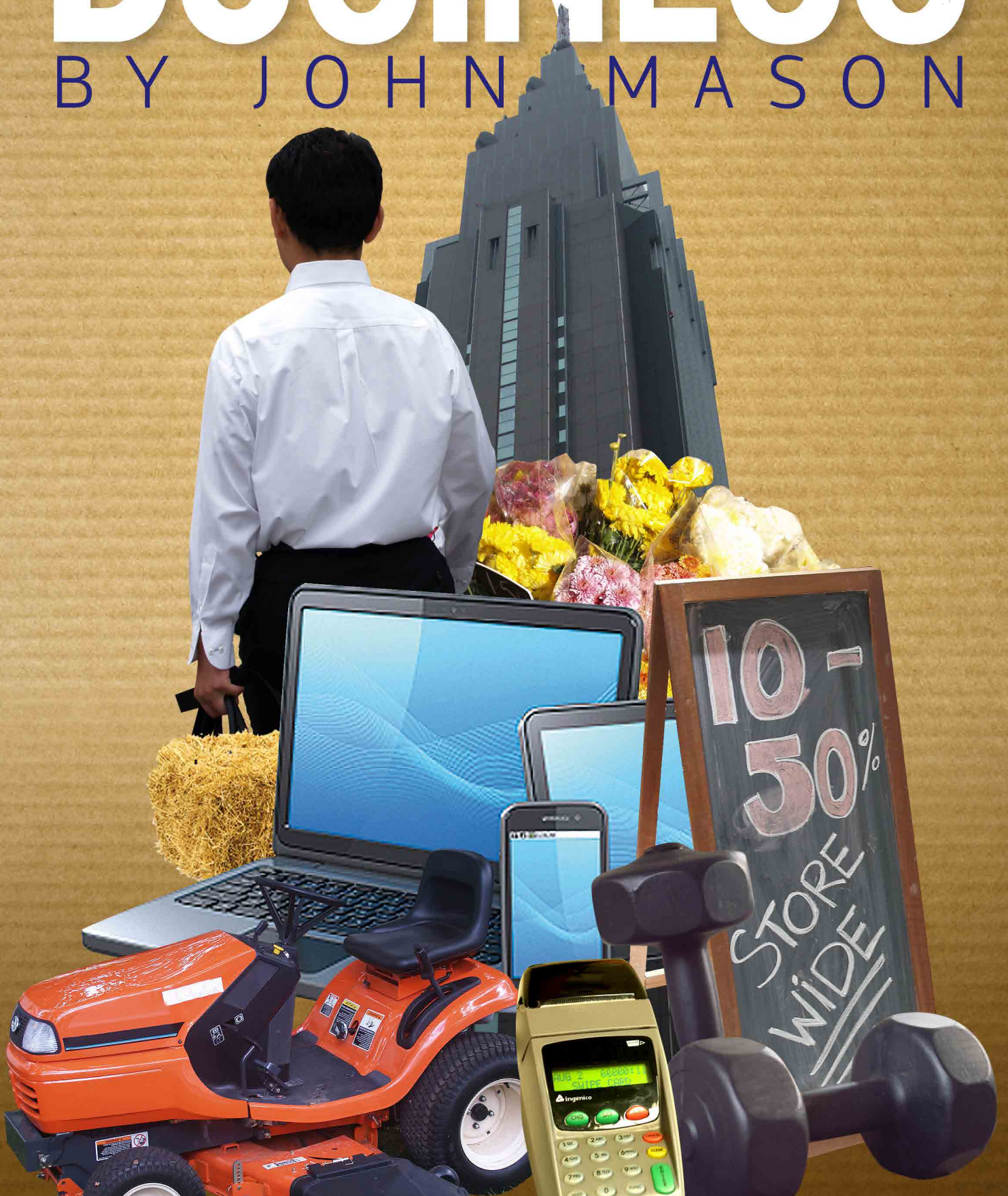


Starting a **BUSINESS**

BY JOHN MASON



Note:

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CHAPTER 1 INTRODUCTION - A REALITY CHECK

Any one starting a new business has to deal with five things -

1. Getting a product that can be sold.
2. Establishing systems to manage the business.
3. Finding potential customers.
4. Selling to those potential customers.
5. Delivering the product.

This may be a simplistic view of business, but it is a very helpful way of understanding what needs to be done, and doing it properly.

Think of these as the "five key areas of business".

Businesses Don't Need to Fail

It is often said that many new businesses fail. Different figures are quoted indicating that approximately 10% of new businesses fail. They usually fail for one reason - because they don't attend to all five areas of concern above.

It may be that they don't deal with all of these things because they do not have sufficient resources, for example:

1. Getting a product that can be sold – They choose a product that is already sold well by another large and well-established company. They can't compete financially or offer comparable service.
2. Establishing systems to manage the business – They are so busy looking at the product and finding customers that they don't also take an overview of how they are going to run the business effectively and efficiently.
3. Finding potential customers – They can't afford the marketing required to reach their potential clients and don't know enough about how they can market for free to do so.
4. Selling to those potential customers – They haven't conducted enough market research to see who they can sell to. For example by advertising their skateboards and rollerskates in Saga magazine (a magazine for over 60s). This may be a massive generalisation, there may be people over 60 who like to skateboard, but the demographic would suggest that their market is likely to be better aimed at children, teenagers and those in the early 20s.
5. Delivering the product – They may not have taken postage charges into account when pricing their product. They may find that other similar businesses are offering free delivery and they can't afford to.

And so on.....

These are just some examples of where potential businesses may fail simply because they haven't really considered some things in enough detail. These things may not be massive, they may only be small – for example – not including the cost of free delivery in their product cost, but over time that can seriously affect how much (if any) profit they are making.

Imagine you are selling pens for a cult television series, such as Doctor Who or Thunderbirds. The pens cost you £1 to buy. You are selling them for £1.50. It costs you 30 pence to post the product. Leaving you 20 pence profit per item (you think). You haven't taken into account the cost of actually packaging the item, which actually costs you 10p. That leaves you 10p profit. But what about your time, getting the order off the internet or in the post, packaging the pen, writing the customers address on the package, going to the post office at the end of the day to post it, buying the stamps, writing the order in your accounts, keeping track of stock you have available, paying for premises if you have them, paying for other staff members, advertising costs, the cost of your website. The list goes on and all of that has to be funded in 10p per pen. Can you see my point?



Corporate Business people

Some businesses don't attend to these things because they don't have the resources to deal with the things that need doing. For example, it is not good enough to develop a fantastic product and expect the marketing, sales, customer service and other aspects to just look after themselves.

When starting a business, the business men/women involved need to be aware of the resources they have at their disposal. These resources may include –

- Time
- Networks
- Equipment
- Money
- Property etc.

Deciding on the product may well be the first step in starting any business; but that decision must be tempered with an awareness of the systems required to manage that product, the market potential of that product, how well you will be able to sell that product and what is required to deliver that product to customers. If your product is not matched