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Partner

If you are a victim of the recession (after all, it has ended, hasn't it?) or a victim of the New Politics and lose your job it can be a very traumatic time for you and your family. Some, however, see it is an opportunity to do what they have always wanted. It might be taking a world cruise or exploring the British Isles in a mobile home. For others, it is the chance to start a business.

Is your idea any good? Ask friends. Ask people who don't like you. Ask colleagues. Try and establish if there is a market and how big it is and how much money is involved.

Business plans are an absolute necessity if you are going to borrow from a bank. Your bank manager should be able to help you draft one. There are many templates available on the internet and from business start-up agencies and advisers.

Then you have to work out how much it is going to cost you to do what you want to do so you can work out how much you will have to charge to cover costs and make a profit. You'd be surprised how few people do this.

It's always a good idea to try to calculate a "daily price". How many days a year are you going to work? That figure is the amount by which you will divide your expenses and totals. Obviously electricity and rent etc are for a year of 365 days, but you won't work every day so each day you work is a day in which you must recover a proportion of your expenses.

You need to add up the cost of electricity, loans and interest, insurance, telephone, advertising, materials, office administration and so on and divide by the number of working days in the year.

Then work out how much you expect to earn each working day (turnover) from selling your goods or services. You will then be able to say how much your daily costs are.

You then have to give yourself a notional salary per year including tax and national insurance and work that out as a "working day" cost. By adding this figure to the figures you have calculated by following the process set out above, you are now getting a good idea of the minimum you will have to charge per day. Now you must add in vat-just in case you have to start paying it.

How much profit do you want to make on top of costs plus salary plus vat? You'll need money to mend the car, paint the premises, employ a new employee. You need to pick out an annual figure and divide this figure by your "working days" number.

You have now established the Daily Rate.

Each week, each month, each quarter you must analyse your true figures against your predicted figures, your sales rate against the predicted rate and ensure that your costs are as you had predicted. Any differences must be analysed and understood.

If you can control costs then you can control profit.

There are all sorts of computer programmes, accounts packages and other analysis tools that can assist you. But if keeping costs down is the name of the game then you must think carefully before spending any money.

The advantage of year 2 and year 3 and so on is that you will be comparing actual figures.

So quite a bit of planning is required but don't dither. If starting up a business is what you want to do (maybe even **must** do to survive) then take the plunge. Your life will never be the same again.

Be enthusiastic about your new life. Promote it to all and sundry. Network via your local breakfast, lunch and evening networking clubs. A whole new world awaits!

New businesses fail, indeed it is quite a high percentage. Why? There are as many explanations for this as there are failures but the real issues seem to be Poor Planning, Poor Cost Control (and being too eager to spend money as a reward for hard work) and Bad Choices. Advertising and having a website are most important. Many people search the web for a product or service. You need to spend some money on a properly designed website that will attract the greatest number of hits (it's called Search Engine Optimization). Talk to several website designers in your planning stage and ask about website optimization and hosting so your site keeps ahead of the competition. In an age of recession having a web-based payment system means you don't have to give credit.

If you are going to start up a business you must not sacrifice profit for turnover nor must you feel obliged to offer credit facilities to compete with the competition. You are in business to make money. Don't simply undercut all competition to get the work-you may find that you are working for no reward. You don't have to give credit. You do have to make sure that your terms and conditions are clear, available to all customers and that no exceptions are made. These days you can take credit card payments over the phone or via your website before you make the product or provide the service.

You must keep your records in proper order. You must engage an accountant so that tax returns and payments are made properly and on time. You can probably do your own vat returns if you have a reasonably sophisticated accounts package, however your accountant or another agency can be engaged to do this for you if that makes sense for you.

Those around you must understand what you are trying to do and why. They must be on board and part of the enterprise. If your family and friends say that what you are planning to do is utter nonsense then it probably is. If they support you and encourage you then it is probably right.

If you have a partner or partners or you set up a company and have fellow directors you will need legal advice. It's all very well starting a business when everyone is enthusiastic and excited but if it starts to fall apart a properly drafted partnership agreement or directors' contracts can make all the difference. Don't forget to get your partners and shareholders to make a will so that if they die you get their share of the business.

At the heart of success is control of costs and money. If you let others do that for you whilst you get on with the "hard work" your business will fail. **You** must control costs. **You** must negotiate with suppliers and search for cheaper suppliers for everything you spend.

There are all sorts of helpful websites eg <http://intuit.co.uk> or <http://www.smallbusiness.co.uk> amongst others.

The Law Society runs Lawyers for Your Business and Emmersons Solicitors is a member of that scheme. <http://www.lawsociety.org.uk/choosingandusing/helpyourbusiness/foryourbusiness.law>



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