

This guide has been written by Unilever Ventures to help people who are either in the process or thinking about starting their own business.

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## 1. **Skills required in a new venture**

To help you understand what skills and qualities will be required in a successful venture we have summarised the key skills that you will be required to draw on. In addition to these any one embarking on a new venture should have strong personal qualities like initiative, determination, resilience and imagination.

You don't need to be an expert at everything in a new venture, but you do need to be able to see the whole management picture. Unilever Ventures will be able to help in many of these areas or direct you to someone who can help:

### a. **Management**

Many people have different definitions about what management really is. The reality is that the management demands on you will be constantly changing as your business changes. So, what we mean by management here is the ability to keep control of your business as it grows, and know what resources and skills you need to achieve that.

### b. **Financial**

Setting the business up correctly, and understanding and controlling the finances of your business is vital.

### c. **Marketing**

It also goes without saying that you need to understand your consumers and know how your product or service meets their needs.

### d. **Production and distribution**

The term 'production' is usually associated with manufacturing a product, but it's just as important to produce a service efficiently. In both cases the production process is important to the final quality and price of the product or service. You can get more information on producing and distributing your product by getting in touch directly with Unilever Ventures experts.

### e. **Technical or specialist knowledge or expertise**

If you have something that few others in the market offer, you are more likely to succeed. There are many sources of training to develop your technical or specialist knowledge. In addition you may want to get in touch with a technical expert. Unilever ventures may be able to link you up with the right expert from their network.

## 2. **Will the idea work?**

There's one key question you should ask when considering a new venture. Who will want to buy the product or service that I plan to sell? The answer to this question will allow you to take a closer look at the viability of your business idea. Here are some of the key issues you may want to consider before deciding about your plans to start your own business: -

### a. **The market for your product or service**

Is there a strong potential or existing demand for your potential product or service? Are any others selling anything like it? How are they doing? Is there room for another product? Is there anything special about your product or service that makes it better?

Marketing is a specialised activity, and may not be part of your core skills. Ideally, a member of your management team should have experience in and responsibility for marketing. They may be able to initiate your marketing activity personally, but it is possible they will need the help of external experts.

Their activities should be guided by your overall marketing plan. This should translate the marketing strategy that you set out as part of your business plan into action. You should consider the following components:

#### i. **Market analysis**

A detailed market analysis should have been part of your business plan. However, you should review your initial assumptions to take into account subsequent changes in the market and the greater knowledge of your potential customers, which you have developed.

#### ii. **Marketing objectives**

To maintain control over your marketing, and over the expense it causes, it is important to set clear and measurable marketing and financial goals.

Your marketing goals might include a target for the number of customers; sales per customer and market share you should have by a certain date. This should, however, take into account not just sales figures, but less obvious measures such as customer satisfaction and customer loyalty, both of which can have a major impact on your marketing requirements and your revenue in the future. Financial goals may include projected cash flows and profits.

#### iii. **Marketing strategy**

The marketing strategy defined in your business plan involved identifying target markets and differentiating your business from that of your competitors.

The marketing plan should analyse the target market profile, needs and expectations and also show how your business will differentiate itself from its competitors and attract new customers.

iv. **Marketing mix**

The marketing mix (product, price, promotion and place) is a set of decisions that need to be taken in order to implement the positioning strategy and achieve the marketing objectives.

b. **Action plans**

A detailed action plan will ensure that the plan is SURE:

- i. Soundly based
- ii. Understands the issues
- iii. Realistic
- iv. Experienced personnel deal with the relevant issues

c. **Budget**

This includes revenues, expenditures, profits and resulting cash flows for the projected marketing period.

d. **What price should you charge?**

For your venture to be successful you will need to be able to charge a price for your product or service that makes a decent profit. Obviously the more competition there is the more pressure there will be on your prices. At this early stage all you need to do is see if it looks likely that you are going to make enough money from selling your product or service to cover costs and make a profit.

### 3. **What resources are needed?**

#### a. **Finance**

Before you can get your start-up off the ground, you will need to assess your need for start up funds. Most new businesses have to wait a while before the income from sales starts to come in. You may therefore, need cash to pay wages, buy supplies, or make investments during the early months. Many people rely on their own savings to start up a business, others need to borrow. Whether you are using your own money or someone else's you will need to work out how much money you need using a Cash Flow forecast.

Once you have worked out how much money you will need to borrow, there are a number of sources that can be approached to help raise the capital you'll need.

#### i. **Banks**

The traditional route for raising finance for a business start-up is through a bank loan. This is a good place to start for low risk opportunities. Most banks are not particularly interested in investing in higher risk options.

#### **Public sector subsidies and assistance**

At a European level, there are a number of subsidy schemes designed to help small businesses. These include:

- a. SME Initiative
- b. European Seed Capital Scheme, aimed at stimulating the creation of start-up capital funds
- c. Eurotech Capital Scheme, aimed at stimulating private capital funding of trans-national high technology projects. To help achieve this, the EC has approved European financial units specialising in supplying their own funds to SMEs. These units, with an investment capacity of ECU 50 million, agree to reserve at least 20% for participation in SMEs which develop high technology trans-national projects or use environmentally friendly techniques.

#### ii. **Business angels**

Business angels are individuals who invest capital in small business and who may also take an active role in developing the business. They generally invest smaller amounts of venture capital in earlier stage companies compared to venture capital firms.

The EVCA and BVCA have a list of such companies in 'Sources of Business Angel Capital', published annually.

#### iii. **Venture capital**

Venture capital firms often have a range of investment preferences and type of financing they specialise in. Investment preferences may be affected by the source of their funds.

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VC firms usually look to retain their investment for 2 to 3 years, depending on the levels of potential risk and return.

iv. **Exit strategies**

Investors will vary in the return and exit strategy terms they will expect. For example, venture capitalists will be looking for a high return on investment and a relatively short-term exit strategy (usually 2-5 years). Angel investors, who have a personal relationship with you, are less concerned with the exit strategy and more likely to take a risk - but still require a high return on investment.

There are three possible exit strategies you can consider:

- a. A trade sale
- b. Floating the company on the stock exchange
- c. A management buy-out

b. **People**

Employing staff from your first day of trading obviously increases your costs. Whether or not you need to do so depends on the type and size of the business you are launching, and the way you set it up with alliances etc.

Employment law is complex and there are many issues you need to consider including minimum wages and laws on working hours etc. you will also have to be sure that you do not discriminate on grounds of race, sex marital status or disability.

Other issues to consider when employing staff are tax implications and the requirement to have the appropriate insurance policies in place. You are legally obliged to have employers' liability insurance in case an employee becomes ill or is injured at work, even if this is as simple as tripping over a rug!

If you need extra people, but only part time, you may want to consider taking on temporary staff through an agency, rather than employing them yourself.

c. **Premises**

Many new businesses start up at home, and you need to be sure that you family and consumers are happy with this arrangement. Choosing the right premises if you are not working from home, will involve a number of key decisions. Your location needs to be right for your consumers, your suppliers and your staff.

#### 4. **Preparing to get started**

##### a. **The Business plan**

An outline business plan will contain the following elements

###### **Your goals**

What you want your business to achieve over the first year and in five years time.

###### **Your product or service**

A brief summary of your idea, or the product or service you are going to sell.

###### **Your market**

The types of customers you plan to attract, What specific aspects of your product or service are going to make it more attractive to potential consumers than those offered by competitors?

###### **Your delivery channel**

How will you get your product or service to consumers?

###### **Your finances**

How do you intend to fund the early months of your business?

###### **Your premises**

Where will you base the business?

##### b. **What sort of business do you want it to be?**

The first thing to establish is what sort of business do you want your business to be? You can choose from a number of structures for your new business – sole trader, partnership, limited company, and franchise. Which one is right for you will depend on your plans for the future?

**Working as a sole trader** – if you think you are going to be working on your own for the foreseeable future you may want to be a sole trader. There are none of the regulations that apply to limited companies. All you need to do is tell the income tax and social security that you are working for yourself. You may however find that it is useful to let an accountant advise you on your tax returns.

**Working in partnership** – If there are two or more of you running the business, or if you want to benefit from working together with an existing business you may want to set up a partnership. In this arrangement the profits and costs need to be shared amongst you. For this reason, you are advised to draw up a legally binding partnership agreement which explains how the partnership is to be run, how profits are to be shared, and what will happen if you need to close the business. Each of the partners is personally liable for

any debts incurred by the business, even if the other partner ran them up. Trust is crucial to the success of a partnership

### **Setting up a limited company**

There are specific rules and regulations governing the way a limited company is set up and run, so you will probably need help from an accountant or solicitor. These will also vary greatly from country to country. As a company is separate from its owners, you will not normally be liable for its debts. However, until the business can prove its ability to generate cash you are likely to be asked to give a personal guarantee if you want to borrow money. The company has to be properly registered, and submit properly prepared financial statements.

### **Buying a franchise**

If you want the independence of being your own boss, but would welcome the reassurance and support of a ready made, established and tested business idea, franchising may be a good idea. It is an increasingly popular way of starting your own business.

### **Alliances**

With all of these business structures it is also possible to form beneficial alliances. A strategic alliance or partnership is an arrangement between companies where they share risks, pool strengths or integrate business functions for mutual benefit. Each of the partners in an alliance remains a distinct entity. It is not a merger, where the assets are combined. Alliances can have many benefits. By sharing assets, knowledge or a customer base they can be a way of expanding into new markets, acquiring technical know-how and improving a competitive position, without relying on internal growth, mergers or spin-offs.

#### **c. Getting help**

When setting up any new business, good advice is essential. It can come from many sources, from local business agencies to European Commissions. Some possible sources of information and help are listed below :

- i. Chambers of Commerce and Business Associations have business clubs where you can meet other small business owners. At some point you will also need professional advice from people like accountants, lawyers and possibly also suppliers and or web designers. Often these advisers are willing to be flexible in terms of payment when dealing with a small start-up.
- ii. At a higher level, European, national and local governments are committed to helping small businesses, and subsidies are available to encourage start-ups. Advice can range from training courses in starting a business to help raising finances and use of facilities.
- iii. Many agencies provide help for small businesses. Agencies include DGXXIII - the European Commission body responsible for promoting internet-based SMEs to the

DTI at a national level.

- iv. If you are planning on taking on employees, you will need to take advice on tax and National Insurance issues, and on employment law. These will vary from country to country, and local government tax offices will be able to help.
  
- v. The Internet is an increasingly important source of information. There are many different websites, including those run by the Department of Trade and Industry, the department for Education and Employment and Chambers of Commerce etc...