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# Working for **YOURSELF**

A practical guide to sales, marketing  
and preparing a business plan for  
people aged over 50



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Founder and President: HRH The Prince of Wales. **PRIME** was founded by Prince Charles to help older people rejected by the labour market find a way back into work by setting up in business for themselves. **PRIME** is a registered charity, number 261794-2, linked to the National Council on Ageing. It is independent of government and dedicated to helping people over 50 investigate self-employment and start and run their own businesses.

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**WHY YOU SHOULD  
READ ON**

Around 3.5 million people in Britain work for themselves. This booklet explains how you could become one of them. Self-employment is a popular way of sidestepping age discrimination in the conventional job market. A fifth of people over 50 who are in work have their own businesses.



## Chapter I

# Customers and selling to them

In theory every business starts with a plan – and you often hear this repeated as if it were invariably true. But in the world of self-employment things don't always work out this way. Often it's the customers that come first. Only later does the entrepreneur start to think about how the business fits together as a whole.

The reason this happens is that starting a business can be a bit daunting, and it's hard to believe that you can actually do it. But when a customer comes along, offering you money for something you know you can do, you just start. Hey presto, your business is going.

Even if you have spent a long time planning your business in advance, customers still come first in another sense. They are the foundation of your business, the people who give you money and make it a business rather than a charity or club.

### SELL YOUR OWN WAY

“The only area where my age might count against me is in sales - because I'm not a brash young salesman. But I really don't see that as much of a drawback. I have a nice letter that I write to people and that seems to work well.”

Graham Siggs, who started his own electrical testing service after being forced to retire from the civil service at the age of 60.

## Fear of selling

You may be lucky with your first few customers. But even if you are busy, you need to set time aside for thinking about where your next customers are going to come from.

In Chapter 3 we'll go into marketing, which is the methodical way of solving this problem. It's the big picture, the strategy - while selling is the tactical engagement. But first we need to deal with something that this warlike analogy suggests. Many people find the thought of having to do selling frightening.

And it's the thought that's often the problem – not selling itself. You can do selling any way you like, and you'll soon develop your own style. It doesn't have to be the traditional hard sell.

Reluctance to sell is conquered by knowing your customers well enough to know how to do them a favour – by selling them the right product or service. Being an altruist and being an effective sales rep then become one and the same thing.

## Beating obnoxious salespeople at their own game

The reluctance to sell we are assuming here doesn't apply to everyone, and it probably depends on what type of salespeople you have been exposed to in the past. But it is something many people express to **PRIME**, and it can be overcome by developing your own approach that simply avoids practices you are uncomfortable with.

Once you start your own business it becomes necessary to find customers on a regular basis. So don't let bad sales experiences from your past become a barrier to setting up your own independent business. Resolve to do it differently to them – and better.

If you have a good product or service it stands to reason that there are people out there who would welcome the opportunity to buy it. It may sometimes be hard work, but you owe it to them as well as your own business to find such people and make them a clear offer they can understand. It's then up to them to make the decision – to buy or not.

You need to find an approach to selling that you are completely comfortable with. You don't have to turn into the sort of person you don't want to be simply to sell things. Do it your own way – it may well be more effective and even fun.

# Three neglected facts about selling

## 1. Selling is not telling

It's more to do with listening. This is as true when writing an advertisement as in face-to-face selling. You need to have attuned yourself to what customers are actually seeking to do it well.

In face-to-face selling, don't talk too much. Ask questions. Listen intently for what the person really wants. Then talk about those aspects of your offer that are relevant to those desires.

## 2. Benefits trump features

More customers are interested in benefits than features. Enthusiasts tend to burble on about features, but what most customers are after is what these features can do in practice to benefit them and solve their problems. So when talking to a customer or writing promotional material highlight the most relevant benefits.

For example, uppermost in most people's minds when buying a pair of secateurs is the objective – bushes neatly pruned or flowers accurately cut. Or they might be thinking about what they want the process of using the secateurs to be like – quick clean cuts rather than a difficult blunt action resulting in crushed stems. They might also want a safe and comfortable grip. These are all benefits.

By contrast the facts the secateurs you are selling are made out of Type 440 high-carbon steel and have a bypass design are features. They are things that a garden-tools connoisseur or metallurgist might appreciate, and they might very well be how the quick clean cuts are achieved. But they are not things on the minds of most people buying secateurs.

Because buyers tend to be most interested in the benefits, you are doing them a favour by concentrating on the benefits first. "These will give you a quick clean cut." You could go on to say "that's because of the Type 440 high-carbon steel and the bypass design". But they may think you a nerd, so you'd be better off with "and they have a comfortable grip", or simply shutting up.



### 3. It's OK to ask for the sale

Once the customer is giving out signals that they are ready to buy, don't just plough on with your presentation. It's easy to do this if you are nervous, but it's a mistake. You are wasting their time and they might get irritated and start thinking of objections just to annoy you. Selling is a human activity after all, and normal emotions come into play.

Most buyers much prefer it if you get to the point. So ask for the sale. Say something like "Do you want the green one then?" or "I can give you two for just £10 more" to move things on the decision. Then go straight to taking the money.

If you have a sincere desire to see the buyer get what they want you will feel satisfaction at the close of the deal, so move to it promptly. Asking for the money should also feel natural, because money is what allows you to provide this thing that they want – your product or service.

#### GET YOUR STORY TOGETHER

Have sales stories prepared that are of different lengths for different uses – for example in less than ten words printed on the back of your business card, in a sentence or two for introducing yourself to people you meet, and in a minute for inserting into presentations.

Longer forms may be appropriate for handouts. But short is usually best. So keep self-advertising brief and get straight on to finding out their problems and what you can do to help.



## Chapter 2

# Negotiating

Negotiating can be regarded as a special form of selling, and often arises when complicated products or services are involved. It can also arise when you are buying something, for example a computer or a car.

The key thing to recognise is when you are in a negotiating situation – when the prices, terms and overall package initially offered are open to alteration. This is not always obvious. The party that doesn't notice that the offer is negotiable may lose out on a better deal.

If you know you are going into a negotiation you need to do some extra preparation. You need to know about both yourself and the other party in more detail.

### KEEP THE CUSTOMERS COMING

New businesses should concentrate on winning their critical early customers before anything else. If you are uncomfortable with selling or negotiating, try different approaches until you find one that works for you. You don't have to use the traditional hard sell, but you do need a steady stream of customers.

Make it a top priority to find your own sales style. Even when you are busy, set time aside for thinking about where your next customers will come from.

## Negotiating a sale

Let's consider the case of you doing the selling. On your side, you need to know which benefits are cheap and which expensive for you to offer – for example your real product costs, your delivery times, and terms under which you could provide training. This information may end up reflected in the price, or affect what you are willing to throw in to get the sale.

Likewise, you need to have a pretty good idea about which things are cheap or expensive for your prospective customer to give to you – for example the use of their facilities, their time or flexibility on delivery. Taken together, this knowledge or informed guesswork provides the essential background that gives you the confidence to make tailored offers and negotiate creatively.

You can't assume the person you are about to negotiate with will put the same value on things as you, or your other customers. If you can spot these differences it may make reaching agreement easier.

For example, something that matters a lot to them may be easy for you to provide. Once you are in business you are likely to rapidly become expert in your particular field, so this is quite common. Make sure that the real value of the benefit to them is acknowledged, if only verbally. The fact that it's easy for you to provide you could keep quiet about until you are ready to trade it.

Don't automatically discount the value of your own expertise – a common mistake among modest new business people. Your customer may be happy to pay the full price.

Use your listening skills and the other neglected facts about selling described in the previous chapter when negotiating. You still need to understand benefits from the prospect's point of view, and ask for the sale so they get to become your customer and provide you with money.



## Chapter 3

# Marketing

Before you can sell or negotiate, you have to attract people's attention and get them to contact you in some way. Marketing is all about doing that.

It is considered quite an art because attracting people's attention and inducing them to act is difficult. Your target customers face lots of other demands on their attention, so getting them to first notice and then respond in the desired way can take some clever thinking.

If you're new to this we suggest you select a small number of ideas from this chapter that you can apply in your immediate situation. Don't think that you have to spend heavily to launch your business. Spend cautiously at first, monitor the response you get from customers, then do more of what works.

### THINK BEFORE YOU ADVERTISE

One of the pitfalls start-ups can fall into is spending a lot of money on badly targeted advertising. Instead use media where there is a good chance of being seen by your target customers, with little wastage on other people. Try the local or specialist trade press, direct mail or pay-per-click. Small and often is usually better than an occasional big splash. Keep track of the response to each ad to learn what works and what doesn't.

## The FOUR Ps of marketing

Traditionally marketing is thought about under four headings, the four Ps – product, price, promotion and place. These categories are still very useful, so we'll start with them and resist the temptation, very common now, to add more things beginning with P (people, processes, personalisation – and even purple cows all feature in the literature).

One of the advantages small businesses have over larger businesses is that usually just one or two people have complete control of the whole marketing effort. They can grasp the offer as a whole, and move swiftly in taking decisions. This can give smaller players much greater competitive agility.

Offer is used in two ways in marketing – for both special offers (also referred to as promotions) as in normal English, but also in a more general way to refer to every aspect of what the customer gets. This latter sense of offer – the full specification of what you intend the customer to get under all four Ps, the plan you have to win them, is sometimes called the marketing mix.

### PRODUCT: what's in it for the customer?

The first P takes in all the benefits and features of a product or service likely to interest the customer. These include quality, pack size, packaging, options and level of support. Intangible and imaginary benefits come in here too, such as your company's reputation, its logo, the quality marks it possesses, customer testimonials and celebrity endorsements, and any other associations with the name.

From the customer's point of view the brand is also part of the product. This is immediately obvious from the way in which in the right brand can make a product – say a suit, handbag or watch, command a premium price.

### DO YOU HAVE A USP?

Your unique selling point (or proposition) is the one thing that makes your business stand out from the crowd. It is a very powerful marketing tool – but much misunderstood. It could be a benefit – “the best sandcastle sand in Britain” (Torquay), but it doesn't have to be. Having a nodding Northern dog as its USP works brilliantly for insurance company Churchill. Avoid having lots of USPs – it dilutes your message and customers won't remember them.

Brands save the customer time. Instead of having to investigate every benefit and feature, a strong brand gives the customer the confidence to assume certain things about the product. For example, that a Marks & Spencer shirt won't shrink, that a McDonald's restaurant will be child-friendly, or that everything inside a Lidl supermarket will be cheap.

Such associations are sometimes referred to as the brand's values. They tell a kind of story that positions the product or service in people's minds.

Establishing your own brand values depends above all on being consistent in what you do, and much less on what you spend. It is therefore an achievable objective for most small businesses, including one-person sole traders.

## PRICE: what will it cost the customer?

The list price, any discounts, and your credit and payment terms. Also included here are the methods of payment you will accept, and any special price promotions.

The four Ps overlap to some extent. For example the price may strongly affect how the product is perceived in quality terms. Expensive is often taken to mean premium quality.

By the same token, a price cut may make customers perceive the product as cheap. But is this cheap shoddy or cheap affordable good value? Many retailers prefer Buy One Get One Free (BOGOF) and coupon special offers over a straight discount price because they believe they do less permanent damage to the perceived value of the brand.

## REPUTATION MATTERS IN BUSINESS

Reputation means "the opinion other people have of you", and is a wider concept than brand. It is critically important in business. Apart from customers and potential customers, your business also needs to have a good reputation with everyone it deals – suppliers, banks, local officials and so on. As with brands, you mainly earn your reputation by consistent good behaviour. If confronted by a major threat to your reputation seek help from a PR professional before considering going to law.



## PROMOTION: how will you make the customer aware of your offer?

Promotion is developing a sales story around your product, service or company, and actively getting it out to your target customers using the most suitable means available.

Traditionally a distinction has been made between techniques where you pay to use someone else's media, such as TV, radio and newspaper advertising, and techniques that you control yourself. These latter so-called "below-the-line" techniques are often more subtle and targeted, and usually the best suited to new small businesses. They also tend to be the most affordable.

Personal selling, networking and public relations are all classic below-the-line techniques, as is exhibiting at trade fairs and shows. Sales promotions include money-off special offers like coupons or the BOGOF mentioned above, as well as special in-store demonstrations and displays.

Give-to-get techniques include writing free articles for specialised local and trade publications, sponsorship and providing competition prizes in return for publicity. Other things that you can do yourself are distributing printed flyers, mail shots and email marketing to targeted lists.

The Internet has brought some new options that can be very cost effective if you know what you are doing. Apart from having your own web site, you can post messages on other people's, have your own blog, and build up contacts on social networking sites like MySpace, Facebook and Ecademy. Pay-per-click advertising such as Google Adwords and Yahoo Search Marketing can be very efficient as you only pay for leads clicking through to your own web site.

Word-of-mouth, where existing customers talk highly of you, is the Holy Grail of below-the-line promotion. Achieving it first requires some happy customers, but you can then help it along by collecting testimonials from them or giving some incentive to tell their friends. So-called "viral marketing" is just a pretentious name for word-of-mouth by email and comments posted on web sites.

## **PLACE: where are these customers, and who are they anyway?**

Place is about how customers get access to your product or service. So it's about where the product is sold or the service offered, and also how it gets to the customer – your distribution channels. It's also about your customers' characteristics, because you may use different options to reach different sorts of customer.

So if you are offering a product, will you be selling it through your own web site, mail order service or shop, or via other retailers or catalogues? If you are using retailers, are you going to deal with them directly, or through an agent or distributor? If you are offering a service, will this be from your own premises, your clients or elsewhere?

Time-of-day, time-of-the-week and season of the year come under place, and can be important. You may get a different type of customer in your hotel on weekdays compared to at the weekend, and they may require a different marketing approach. Similarly restaurants and pubs often get a different clientele in the evenings and at lunchtime.

Distinct groups of customers with different wants and interests are called customer segments. Niche markets are smaller more specialised segments. One of the decisions to make when launching your business is whether to go after a broad market or to target a particular customer segment or niche.

## **Building a brand and establishing your reputation**

A brand is at root just a name or symbol that indicates where a product or service comes from. What makes it important in marketing is the values customers and prospective customer come to associate with the brand, which can make it easier for you to charge a premium price, increase customer loyalty and get repeat business.

We have put brand under the Product category above, as from the customer's point of view that is where it sits. But from your point of view as the seller it belongs in all four Ps, as what you do under Price, Promotion and Place must all support the same story.

Consistency across all four Ps greatly amplifies the effect. If every experience the customer has with you is faithful to the brand they are more likely to absorb the brand values. If things clash with the brand it is important to fix them.

So if you are offering environmental tours to endangered habitats the brand values you want to get across to customers might include that you are a responsible operator with genuine green sympathies.

Using recycled stationery and handing out jute bags rather than plastic ones is the easy part. But you might unavoidably need to use air travel, wear animal fur, and even carry guns in some circumstances, all of which apparently clash with your brand values unless handled carefully.

You could offer customers the option of participating in a carbon offset scheme, or include it in the price of air tours. Your literature could explain your policies on fur wearing, customer security and safety around wild animals.

Consistent behaviour in all areas is what ultimately creates brand values. That is why lapses like jeweller Gerald Ratner's famous 1991 blunder (describing one of his own products, an aspirational decanter set, as "total crap") can utterly destroy a brand.

## MORE ON MARKETING

If you have access to the Internet from a sound enabled machine there's a free four-part audio marketing course on PRIME's web site [www.primebusinessclub.com](http://www.primebusinessclub.com). UK marketing expert Dr Alan Rae takes you through clarifying your story and how to tell it, whether in writing, face-to-face selling and networking, or online (including pay-per-click advertising). There's also a 20-page workbook for you to print out.



## Chapter 4

# Setting prices

There are two schools of thought on how to set prices. One puts pricing firmly in the marketing domain, getting you to focus outwards on customers and how they react to different price levels and any price changes you and your competitors make. The other focuses inwards on the firm, and sees pricing as almost as an accounting discipline.

Both these ways of thinking about prices are helpful. You do need to know your costs and how much money you need to bring in to cover them and make a profit. But the actual prices you set also need to respond to opportunities and threats in the market.

When you first start out you may not have an accurate idea of your costs, or of what your competitors are up to. So choose the best method available to you now, and refine your pricing later when you have better information.

### ILLEGAL PRICE FIXING

Information about prices is powerful, and there are some legal restrictions about what you can do with it. You can't simply agree to fix prices with a competitor, or agree that you'll bid for one contract while they bid for another. While your market share is insignificant you may not need to worry too much about this, but if bigger players are price fixing illegally in your sector you may get dragged in. Penalties are stiff.

## Six ways of setting prices

We describe six common ways of pricing below. Which you pick will depend on the type of business you are in, your own objectives and how much confidence you have in the information available to you.

At the beginning you may decide to follow one of the simpler strategies. For example a journalist or personal trainer may research the market to find out what seems to be the prevailing rate for the job, and then charge the same. This is the simplest of all pricing strategies.

A furniture maker or caterer on the other hand, with more raw material costs to consider, may feel more confident starting with the simplest of the accounting strategies, Cost Plus.

### I. Cost Plus

#### METHOD

Determine all your costs (fixed and variable).

Add a sensible markup, for example 100 per cent, to cover costs you have forgotten and to allow for profit.

#### PRO

Seems very simple. Could make you think seriously about costs, including your own time and ways of getting better value from your suppliers

#### CON

If you get your costs badly wrong you could soon be in trouble. With your focus on internal factors you may also be ignoring marketing considerations.

For example, if your price is below what customers value your services at you are losing out on revenue you could acquire simply by raising your prices.

### TWO TYPES OF COST

When setting prices or keeping track of costs generally it is useful to distinguish between two types of cost.

**Fixed costs** (also known as overheads) stay the same whether your sales go up or down.

Examples: rent, insurance, permanent staff.

**Variable costs** change in line with your sales.

Examples: raw materials, components, temps brought in for particular projects.

## 2. Following the Competition (aka Market Rate)

**METHOD:** find out what the rest of the industry charges for a similar offer, and set your prices the same. You might decide to price above or below the competition, rather than exactly matching them, but you are essentially still using the market rate as your guide.

**PRO:** Very simple as long as accurate data is available

**CON:** Completely reactive. Can encourage you to go to sleep at the wheel, and ignore the value created by a good brand image - or the threat from competitors with a lower cost base taking the price below what you can afford.

## 3. Perceived Value (aka What the Market Will Bear)

**METHOD:** By paying close attention to customers you form an opinion of how much the product or service is worth from their point of view, and set your price to match. Note that it is misleading to call this technique “What the Market Will Bear”, because the intelligence you gather may sometimes suggest dropping prices – for example if the product is no longer fashionable enough to command a premium. In this example timely price cuts could enable you to retain or increase share.

**PRO:** Probably comes closest to extracting the maximum value from most markets. Also encourages you to enhance perceived value and search out niches – for example you might notice that there’s an opening for a premium price range with better packaging which you might not notice if using a Cost Plus approach. Very good where there are features or extras that the customer values but that are cheap for you to include in the offer.

**CON:** Needs good market research or excellent intuitive awareness. Can attract less bright competitors who can just use Strategy 2.

## 4. Magic Price Points

**METHOD:** You aim to hit particular price points you believe to be psychologically appealing to consumers in your particular sector. Many firms do this routinely in little ways – e.g. £4.99 rather than £5.00. But you can base a

complete strategy on it by deciding that your target consumer will readily pay, for example, £19.99 but not £29.99 for a software utility, £29 but not £39 for a meal, £119 but not £149 for a training event and so on. You then build the product down to the price.

**PRO:** Can work brilliantly if the prices are correctly chosen.

**CON:** Needs good market research or excellent intuition. Similar to the Perceived Value strategy but more difficult. You are not just reacting to the market but planning a whole offer around the magic price point.

## 5. Undercutting (aka Penetration Pricing)

**METHOD:** You set your price well below those of players already in the market with the objective of rapidly establishing market share.

**PRO:** It might just work.

**CON:** Very high risk for small companies and usually a mistake. It ignores the way the established competitors – probably armed with better customer information, industry contacts and superior buying power, may react. Options for them, maybe not all legal, include dropping prices to match, putting pressure on your suppliers or defaming you to potential customers – “Why’s it so cheap?” The low price will tend to support their stories of dubious short cuts. Leaves you nowhere to go if a competitor responds by dropping prices below your own cost base.

## 6. Discounting Against High Price

**METHOD.** This isn’t just setting a low price. Instead you start by setting a very high price and then continually discount against it with a stream of special promotions such as sales, payment holiday and extra products thrown in for free. Though most obvious when used in retail sectors such as furniture, this approach is also used by high-end consultants. There the offers take the form of free advice and training, flexible finance deals and other benefits the customer is encouraged to see as special favours.

**PRO:** If customers feel the ticket price is valid then this approach creates enormous room to negotiate. This can be used, for example, to control the timing of peaks of demand to match the availability of stock (or consultants).

**CON:** Requires care not to undermine the perceived value of the product or service by making the discounting too predictable. Care must be taken to stay within the law on retail “sales” promotions.

## Which to pick?

You need an initial pricing method that will meet your cost and revenue constraints, so you can't dodge doing some work going through your costs. But this doesn't mean you have to adopt a Cost-plus strategy – it just sets your lower limit.

Many startups enter the market with a simple price strategy such as Cost plus for goods or Following the competition for a service. In some cases they stick with this forever. But as cost data accumulates and their market knowledge improves other entrepreneurs switch to more ambitious approaches such as Perceived value or Magic price points that have the potential to bring in more money.

Keep tabs on how your target customers respond to price, so over time you can set your prices more accurately to boost revenue or encourage specific behaviours e.g. booking early or out of season.

## A common mistake

The most common mistake new firms make is a simple one – pricing too low. This may be because they have left some major costs out of their calculations – for example interest on bank loans, their own living costs or the time required for marketing or customer support. Or they may lack confidence and therefore price low because they feel low price is all they have to offer.

Whatever the reason, starting with too low a price is best avoided, because raising prices later is much more difficult than dropping them.

If you start with a higher price and later feel it is too high, you can use special offers to get a feel for how customers respond to price without committing yourself to a permanent change. You can target offers at specific customers, at particular segments or run them for limited times.

Pricing is one of the most difficult things to get right in a new business, because you don't have the information and feel for the market that will be available to you later. This makes it an excellent thing to discuss with business advisers and other experienced business people.



## Chapter 5

# Business model and business plan

These two things should not be confused. Your business model is your cunning plan to make money out of your business. It's the core idea. "Ha, I'll sell them the razors cheap then make money on the blades" – which is essentially the same business model adopted by ink-jet printer manufacturers.

Your business plan on the other hand is a document describing every important aspect of your business. Long or short, it's for communicating with other people or working out your ideas.

If you produce an inadequate business plan it just means the reader won't be impressed. So in the worst case the bank won't give you a loan or the investor invest. If you have an inadequate business model your firm will fail if you don't correct it.

### OLDERPRENEURS INVENT A NEW BUSINESS MODEL

Mike Crisp and partner Sharon Hocking run House Hubbies, a home maintenance business. They fix things for people who in return give them money. Their new wrinkle to this venerable business model is that customers calling House Hubbies can find out what it's going to cost them in advance. The firm's well-thought-out pricing structure charges a fixed price for time and is completely transparent about component costs. For customers this is a big step forward over normal industry practice.

## Selecting your business model

Finding the right business model therefore comes way out in front in order of importance. The business model is what your business is essentially about and how it makes a profit doing it.

On the plus side, your business model does not have to be unique. There are only a limited number of viable business models out there. If you can come up with a brand new one – or even a new wrinkle on an old one that works well, you deserve to join the hallowed ranks of business pioneers.

Counting the number of different business models in the favoured area of business you intend to go into is a very useful way to start, but it's not always easy. There may be some crucial variations going on behind the scenes that at first you might not spot.

Hairdressers seem fairly simple. There are shop-based ones and visiting ones – two clearly distinct business models. But some of the shop-based ones – Toni & Guy and Supercuts for instance, are franchise units. This is a different business model because the reputation of the brand is developed collectively by all the linked businesses, and all the franchisees follow the same operating procedures laid down for them by the franchisor. So there are at least three business models in this sector.

At first sight all restaurants have the same business model – prepare food and sell it to people. But there are big differences on the supply side – limited menus cooked by cheap staff or elaborate menus that require the involvement of virtuoso chefs, for example.

And there are huge differences in marketing, with some restaurants dependent on word-of-mouth and the recommendation of food writers, while others rely on their location, tie-ups with hotels, celebrity ownership or a franchised brand to bring in the punters. There are probably at least a dozen different models of how to make a profit in this sector, which is highly competitive and notorious for its high failure rate.

## Switching business model

Sometimes what appear to be marketing or funding problems are instead indications that you have adopted the wrong business model. If you find yourself unable to attract enough customers or to fund something essential to your business, before pouring more resources into marketing or seeking a way of raising more money you should re-examine your business model.

Maybe you need a different relationship with a key supplier. For example, if you can't afford the advertising necessary for your venture to succeed and you can't promote effectively some cheaper way, perhaps you could go in with someone who owns an advertising channel you could then use for free in return for a share of the revenue. This is a change in the business model, not just the marketing.

Maybe the problem is premises costs. Rather than own the nightclub perhaps you should just lease a venue, run your own operation every Thursday or Friday night and put your resources into developing (and protecting) your own nightclub brand.

Note that this change in business model is identical to that made by an aroma therapist switching from operating out of their own premises to hiring a room at a health centre. In both cases they probably reduce cost on premises and acquire new opportunities to promote to their target customers. But their brand may weaken unless they take steps to promote their separate identity in a location now shared with other businesses.

## Writing a business plan

There is no set way of doing a business plan. What you put in depends on your target readership. It can just be a statement of what your business is about and how you intend to achieve your goals – not much more than a description of your business model in other words. Or it can be pages of detail complete with financial projections and lots of supporting evidence to convince an external audience.

A plan just for yourself is still worth doing but can be much simpler than one for banks or potential investors. Beer mats and envelope backs are likely to be too small to cover all the key issues, but any plan is better than nothing because it will make you think about the future.

But get the balance right between planning and getting on with contacting customers and starting to trade. There is such a thing as planning paralysis, where you endlessly plan and never actually do anything.

## Ten headings for a business plan

1. Your core activities – what you will actually do.
2. The particular products or services you are offering.
3. Your target customers.
4. What's happening in the market, and why you think there's a gap.
5. How you are going to make a profit (the business model).
6. Your current financial position, and how you are going to fund the business.
7. Where you plan to be in the future – say over the next three years. If you have no external investors there is nothing to hold you to this, but it is still worth recording your original intentions.
8. Briefly explain how the practical side of the operation will work.
9. The people involved – yourself and any help you can draw on, their backgrounds and what they will be responsible for.
10. Finally include a SWOT analysis – a brief list of the strengths and weaknesses of your new venture, and the most important opportunities and threats it will face in the outside world.

## BUSINESS MODEL INNOVATION

Barking Mad is a dog kennels – but a dog kennels with a difference. Instead of residing with lots of other dogs in a central facility, the pooches are parked individually in the homes of volunteers. Volunteers get expenses but not a salary – most are older former dog owners who don't want to commit to a permanent pet. This model has proved franchisable and there are now 56 branches. The USP for customers is “home from home pet holidays”.

## Fit you plan to its audience

If your objective is raising money then you will need to provide more detail, particularly on points 5, 6 and 7. Financial institutions basically want to know how you are going to pay the money back, what assets you have got that they could seize if you don't, and they may also want an analysis of the risk involved.

With equity finance (where investors take a stake in the business) the investors may want to know how and when they can take their money out and cash in their profits.

Banks, loan funds and big investors may well have their own forms, but this checklist will get you thinking along the right lines.

## Revising you plan

Planning is really only on a secure footing once you have got some customers. These are the people who can correct your most serious misapprehensions.

Don't rely on banks, investors or experts to do it for you – remember the Millennium Dome. It's version two of your plan – made with some customer experience behind you, that's the real deal.

### MAKE FULL USE OF YOUR DIARY

After considering the big issues like business models and business plans, don't overlook the value of the humble diary. Put down the things you have to do and key things that you want to do in your diary. Choose sensible future dates and write down people you want to call and ideas you want to try, as well as hard items like tax deadlines and the due dates of big invoices. Treat it as a future-action planning diary.



## Chapter 6

# Checking with reality

If you have got this far you may have a business growing in your mind that could succeed in reality. But before committing yourself there is still some checking and fine-tuning to be done. Don't be disheartened if you find flaws, even big ones. This is the time to go back to the drawing board and get the design of your business right.

You can check your plans out by examining them critically yourself, by doing some basic market research, and by talking them over with people you trust to tell you the truth.

There are some pitfalls to be aware of, even in testing. There is a tendency for people to say they are interested in anything new proposed to them. The only really safe way to know if someone will buy something is to sell it to them. So if you get an opportunity to test trade, take it.

## Break-even analysis

This tells you how much you have to sell cover your costs. It is an absolutely key question. It can tell you if what you are planning to do is viable, and send you back to the drawing board if it is not.

However, to do the analysis you need to know your costs, which when you are first starting out you may not know with much certainty. Still it is worth forcing yourselves to do this, and it will get easier and more accurate when you do it later with more reliable data. Since your costs will change over time it is worth doing this analysis every so often.

The method relies on the same distinction between fixed and variable costs discussed in the pricing chapter. Fixed costs (also known as overheads) stay the same whether your sales go up or down – for example your rent, heating, insurance, permanent staff and certain mobile phone contracts. Variable costs rise or fall in line your sales – for example raw materials, temps brought in for particular projects.

Step 1. Total up your sales (or projected sales if you haven't started) for the month

Step 2. Tot up your variable costs and subtract this number from your sales.

This gives you what is called your gross profit – not a figure to celebrate just yet.

Step 3. Take the gross profit you have just calculated, divide it by your sales figure from step 1, then multiply by 100. This gives you your gross profit percentage.

Step 4. Tot up your fixed costs. Divide this figure by your gross profit percentage from the previous step. Then multiply by 100. This yields your breakeven point.

Step 5. The breakeven point you have just calculated is the monthly amount in pounds you need to sell to just cover your combined fixed and variable costs.

Step 6: Now compare it to the actual sales you started with at step 1.

If you sold more than the break-even point, then you are trading at a profit – providing you remembered to include all of your costs in the calculation. If you sold less than your break-even point, then you are trading at a loss and will need to take remedial action.

Step 7: Consider what action is needed.

## If you are not breaking even

Obvious steps suggested by the analysis itself are selling more, selling at a higher price, or reducing your fixed or variable costs. If you offer more than one product or service you could consider switching the balance towards the more profitable ones. You may also find answers in adjusting the marketing mix, or more fundamentally, in re-examining your business model.

## Researching your market

So can you sell the required amount? You need to find out as much as possible about your real audience, the prospective paying customers in your target market. Are there enough of them, are they in reach, can you find them, can you attract their attention, can you sell to them, and will they pay enough to give you a good income?

Also check if the business is seasonal. What about the competitors? How are they likely to respond?

You can make a start on finding the answers with what's called desk research – visiting the library or using the Internet. This is good for finding out the basic demographics of the market - how many people live in your catchment area, what are their ages, incomes and lifestyles. It's also good for finding your competitors – simply go through the relevant trade directories or their online equivalents.

Ask yourself some questions too. If there aren't any rivals, why not? Maybe the market is not there to support them.

## Conducting polls and surveys yourself

Next, turn to the people in your target market. Just talking to them - potential customers, suppliers, people with similar businesses, is a great help. It's good for identifying the key issues and getting a feel for how people might respond to your offer. This is what is called qualitative (“qual”) research.

It's very valuable, but you also need some quantitative (“quant”) answers – how many people are even in the market for your product, how many are interested in this or that feature, what will they pay? Note that for a key topic like pricing it might take both qual and quant techniques to find your answers.

You can obtain quantitative data by compiling a short questionnaire and using it to ask people questions more systematically. The fewer the questions the more people you will be able to get to answer them, so five or six questions that take no more than five minutes to answer is ideal.

Be careful interpreting answers to questions like “Would you buy this product?” or “How much would you spend?”. If you are asking the questions face-to-face they might say Yes or No just to please you. It’s better to start by asking them if they buy similar products to establish if they are really in the market. On price it is better to get respondents to select from a range of prices than just ask them to name one, as unprompted they may feel more comfortable naming a higher price than they would actually pay.

When you have reasonable number of answers – say 30, you’ll find that new respondents tend to say the same things, so you can stop. You are not doing this for anyone else so it’s up to you how many people you ask before you feel confident in the story that is emerging from the pattern of answers.

## Polling software and email research

If you have access to the Internet cheap polling software is extremely good. The examples and standard question types will help you formulate your questions, and results are displayed and charted in a form that’s easy to read. Both Survey Monkey and Zoomerang (as used by **PRIME**) are free for small polls. You can use them for polling people who have access to the Internet, sending them the link by email. But they are also handy used just to collate the data you have gathered using paper forms.

If you are using email stick to contacting people you have some connection with – for example ask people you already know to forward your form to others to fill in so you have an introduction. It is pointless spamming millions of strangers, if for no other reason than that any replies you get probably couldn’t be trusted.

This is why real paying customers, when you finally get some, are worth their weight in gold for market research. They tend to tell fewer lies, partly because they know who you are. So once you start trading don’t forget to chat to customers and pick their brains, and even poll them with a questionnaire from time to time.

## Data protection

You don't want to have worry about Data Protection issues at this planning stage of your business. Fortunately if you avoid taking personal details that would allow individuals to be identified later you don't have to. Rather than recording name and address, you could either do your poll completely anonymously, or just collect their first names and post code. This is sufficiently anonymous to sidestep the legal complexities, but it would still allow you a spot any geographic patterns.

If you do want to record people's details so you can contact them again, then you will need to register under the Data Protection Act. It kicks in as soon as you start holding data on identifiable living individuals.

You may want to save time by canvassing for sales at the same time as doing market research. Although this seems perfectly reasonable, it is unwise at this stage of the business. This is partly because if people think you are going after a sale a lot of them may back off, so you won't get the accurate data you need to check out your assumptions.

But it is also because there are some legal issues to deal with before you start trading, as many forms of selling are regulated (see below). It would be a waste of effort to get too far into investigating this while you are still deciding which market to go into.

So in the early stages of a business it is simplest to keep market research completely separate from selling. If you do that you can pretty well approach anybody and ask them anything.

### BEWARE OF SEASONALITY

Many types of business show a strong seasonal pattern of demand. It's not just toys, ice cream and fireworks but journalism, catteries and car parts. When you enter a market do all you can to quiz people in the know about its distinctive seasonal pattern. Methods used to counter big seasonal swings include adjusting pricing (as in the holiday industry), diversifying into markets with an opposite pattern and exporting to somewhere with different seasons.

## Is your business legal?

You may think so, but it's better to check first than to have to pull the plug after you are thoroughly committed. For example, many forms of selling have regulations you need to read and comply with - for example door-to-door selling, street selling and distance selling over the Internet.

You don't need to be obsessed with regulations, but watch that you have the necessary licence if you are street trading, that you obey hygiene laws if handling food and so on. Legal wrangles can waste a lot of your time or even close you down if you get it wrong. Business Link (0845 600 9 006) has an online regulation checker at [www.businesslink.gov.uk](http://www.businesslink.gov.uk) that you can use anonymously, or can send you a free regulations guide.

If you are joining an existing direct selling or network marketing business as a self-employed sales agent or "distributor", there are other issues to consider. Are the businesses that self-employed distributors like yourself set up, usually with no exclusive territory, viable? If there is no limit to the number of self-employed sales agents that can be recruited, there may be a big flaw in the business model. As the market saturates the profitability of both new entrants and existing participants will become harder to sustain.

But it could affect you, the new recruit. PRIME's advice is to examine all such schemes with great care before getting involved, and take independent professional advice from a trustworthy source.

### STAY AGILE

Avoid getting trapped in long-term arrangements. New businesses are usually best off keeping things flexible, so they can move to where the money is. You don't want to get locked into anything you can't get out of easily. This applies to premises, hiring staff and contracts with suppliers. The big strength of small businesses is that they can quickly change to take advantage of the opportunities they discover. Don't throw this advantage away.

## Beware these myths

### MYTH 1:

To establish a successful business I have to invent a new gadget to enable people to levitate, prevent them losing socks, or help them walk the dog.

### REALITY:

This myth is constantly propagated by the media - because the sillier the invention the more entertaining it is. In reality businesses that make lots of money usually just do existing things slightly better, or in a different place or targeted at a newly-identified customer segment.

Look at Chapter 3 again for a long list of things you could vary in the marketing mix. If that isn't ambitious enough for you, re-read Chapter 5 and consider the business models now found in your favoured area of business. Are there any promising ways you could innovate?

Almost all the most successful modern entrepreneurs including Richard Branson and Stelios Haji-loannou made their fortunes by improving on an established business model. This is what business innovation is now usually about. They didn't invent new kinds of aeroplane.

### MYTH 2:

There is a big fat grant cheque out there with my name on.

### REALITY:

It's very unlikely. Check by all means, but keep the time spend on chasing grants and filling in forms under strict control. The people who can really grant your business prosperity are customers. Chasing them is usually more profitable.

## EVADING THE COMPETITION

Avoid entering a crowded market unless you have a very good plan for winning customers. There are already too many aroma therapists in some areas – which makes it difficult for any of them to make a profit. Try to make your product or service unique in some way that is important to the customer, so you are not competing head on. Take a lesson from the animal world and search out your own niche.



## Chapter 7

# Sources of support

Setting up your own business is exciting, but it can also be lonely. You have a lot of decisions to make, you may be thinking about very different things to the people around you, and aspects of your personality may be changing.

So you may find you need emotional support as well as technical business help. In addition to family and friends, don't overlook making contact with other people starting in business like yourself.

Free or low-cost business advice from properly accredited advisers, funded by government, is widely available. But what's on offer varies from place to place in post-code lottery fashion. In some places you may get excellent help. In others you could just be referred to a web site.

If you need to involve professionals like accountants and lawyers, get them to clarify at the start what's free and what has to be paid for.

## Business clubs and networking events

People you know or meet who are already running their own business are a great source of useful advice, even if you aren't seeking them as customers. You can increase your chances of finding them by deliberately attending networking events or joining a local business breakfast club.

When attending a networking event you are probably doing two things. One is forming your own opinion and attitude to all the new business things you have been learning, often on your own. So the views of others from this world, even if wrong, can be very useful as a kind of benchmark or reference point.

You are also making contacts for the business itself – potential suppliers, advisors, allies and customers. Here it helps to be systematic about your networking. You are trying to find out if you feel you can get along with a person, and whether they are useful to you. The object is to have quick conversations with lots of people, and then contact the most promising ones later.

Have a business card you can swap with them, and follow up with a phone call or email over the next few days. Just tell them where you met and what you want. Networking isn't difficult, but it does help to be disciplined so you actually make those follow up calls. Putting them in your diary may help.

## Family and friends

Be careful about how you use your family and friends. It's fine to have them as occasional helpers and even involve them in the business if it's sound, but be wary of using them as customers.

You may do this because you are still fearful of selling to strangers, in which case you should confront those fears. Or it could be that you have been advised by someone in "network marketing" that selling to your immediate circle is a good strategy.

**OLDERPRENEURS  
GIVE BUSINESS THE  
THUMBS UP**

Business owners over 50 who have set up in the last five years are a happy lot, according to a survey done for Yellow Pages. A third of respondents said that they love their work, and 44 per cent said that they are happier than they've ever been. Most regret not having set up on their own earlier. More than half (53 per cent) said that the key piece of advice they would give to other over-50s would be to "go for it".

It would be more accurate to describe it as putting all your eggs in one fragile basket. If things go wrong you want your friends and family to still be there to support you. You don't want them to have lost money, bought duff product or blame you for involvement in some dubious scheme.

None of this means you shouldn't draw on your family as helpers in a legitimate business, or use useful contacts they have that could help. And if you fall sick and need someone to temporarily mind the shop, family may be your best option. But don't abuse this goodwill, or you may lose it.

You are likely to be very busy at times when getting the business going, and therefore not able to be with family and close friends when they need you. Give some thought to how you protect these relationships for the long term.

## Useful contacts

To find your nearest **Business Link**, telephone **0845 600 9006** or visit [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

Business Link is the main point of contact for free government-funded advice in England. It is run as a kind of franchise. It can provide other literature and courses, sometimes free, in most areas. Some Business Links also offer free one-to-one advice with a qualified business adviser, but this varies from place to place.

For other parts of the UK contact:

**Business Gateway for Lowland Scotland**, **0845 609 6611**, [www.bgateway.com](http://www.bgateway.com)

**Highlands and Islands Enterprise**, **01463 234171**, [www.hie.co.uk](http://www.hie.co.uk)

**Flexible Support for Business in Wales**, **03000 603000**,  
[www.business-support-wales.gov.uk](http://www.business-support-wales.gov.uk)

**Invest NI for Northern Ireland**, **028 9023 9090**, [www.investni.com](http://www.investni.com)

## FAMILY SUPPORT

Sally Walton makes stylish re-usable shopping bags out of eco-friendly materials. She has four grown-up children who have jobs in the media and fashion worlds. She has tapped into their networks to get her products known.

“My marketing strategy is entirely based on promoting my products to everyone I know and to everyone my children know. I realised I could send them a bag or information about the bags.”

## Other organisations that can help

Business support is going through a period of flux at the moment, with organisations merging and an increasing number starting to charge for what was formerly free. All you can do is ring around, or check the find-a-partner feature on these web sites.

**The National Federation of Enterprise Agencies**, **01234 831623**, [www.nfea.com](http://www.nfea.com), has members in most parts of England, and runs short workshops aimed at those new to business in conjunction with Barclays Bank.

**Prowess**, **01603 762355**, [www.prowess.org.uk](http://www.prowess.org.uk), has a network of partner organisations dedicated to helping women set up in business.

Finally there's **PRIME**, **0800 783 1904**, [www.primebusinessclub.com](http://www.primebusinessclub.com), which runs its own programme of events, and can put you in touch with partner organisations that are used to dealing with older people.

## Further reading

“The no-nonsense guide to starting a business” is a free 74-page book from Business Link (contact details above). You can download the free guide from the web site, or ask for the paper version to be posted to you.

“Free club course in marketing” on the **PRIME** business club web site is a four – part audio podcast by marketing expert Dr Alan Rae, which covers writing, face-to-face selling, networking and pay-per-click advertising.

Also on the **PRIME** site is the free Bootstrappers Bible by US marketing guru Seth Godin – only 100 pages long but like most of his books well worth reading. It's about how to come up with a business model that doesn't require money you don't have.

## TELLING THE TAX MAN

There's only one absolutely required formality for starting a business in the UK. Everything else depends on your particular circumstances. But once you start to trade, at anything, you need to tell HM Revenue & Customs within three months. HMRC has a special telephone number for the newly self-employed on 0845 915 4515. It's open from 8am to 8pm, Monday to Friday and 8am to 4pm Saturday. HMRC runs free seminars and shows for new businesses.

# Glossary

- Benefit:** something that does good to the customer, and which you believe they may value. Something that solves a customer problem.
- Below-the-line:** promotional techniques that don't involving spending a lot of money on advertising.
- Brand:** a name or symbol strongly associated with a particular product, service or organisation, and the whole set of expectations and memories it triggers. Examples: Ferrari, the NHS, Harry Potter. A brand pops into existence when enough people know about it. Not to be confused with a logo or trademark.
- Brand values:** what customers and the wider public associate with the brand.
- Business model:** the key mechanism(s) a business uses to make a profit, the core idea, what really makes it tick.
- Business plan:** a document describing every important aspect of your business, used for communicating with other people or working out your ideas.
- Customer segment:** a group of customers you have identified as sharing certain characteristics and needs. The segments to concentrate on are those for which you may have an offer.
- Enterprise agency:** an organisation that gives free or low-cost help to people setting up or running a business. Find them via the National Federation of Enterprise Agencies, Business Link or **PRIME**.

- Feature:** how a product or service accomplishes something – hopefully a benefit that the customer wants. It’s usually best to skip over features that have don’t have relevant benefits when selling.
- Logo:** a symbol and/or set of letters in a distinctive typeface and arrangement used to identify an organisation. Example: the word “Ferrari” with the top bar of the F elongated along the top of the word as far as the final r. There is some overlap with Trademark but logo is a graphic concept while trademark is a legal one.
- Marketing:** attracting custom.
- Marketing mix:** the 4Ps of product, price, promotion and place, especially when used together to present a consistent story to back up the offer to the customer.
- Niche:** a small customer segment with a distinctive set of needs. Niche tends to be used rather than segment if the needs are very different to the wider market.
- Offer:** the bundle of products and services you wish to sell to a particular group of customers. A special offer is a variation on the bundle promoted for a limited time or to a sub-set of the customer group.
- Promotion:** how the customer gets to hear about your offer  
Information about your offer.
- Prospect:** someone you believe could become your customer but isn’t yet.

- Public relations (PR):** the discipline that sets out to enhance and protect reputations, spreading the good news and managing the bad.
- Reputation:** what other people think of you, your company and what it does.
- Trademark:** anything that is legally protected and used to distinguish your product or service from those of rivals. Example: image of black prancing horse on a yellow background with three stripes in red white and green above it. This is a Ferrari trademark. Not to be confused with the Ferrari brand, something Ferrari has build up in the public mind over nearly 80 years of car making and motor racing.
- USP:** unique selling point (or proposition) is the one thing that makes your business stand out from the crowd. It doesn't have to be a benefit – just distinctive and remarkable. Ferrari's USP is that it makes the world's most famous fast expensive cars. For Churchill Insurance it is the nodding dog.

## SOLVE IS BETTER THAN SOLUTION

Solution just means product. The overuse of this term annoys many customers. It started in an honest attempt to get sellers to think about products from the customer's point of view. What problem could their product solve for the customer? Bad sellers have ignored this very specific question, preferring instead to just say the word solution a lot. So get back to the verb form solve. Think about the customer's problem, and explain what the product can do to solve it.



## Could you start your own business?

In seven chapters, here are the most critical things you need to know to get your business off the ground. This **PRIME** guide doesn't cover everything but it's quick to read and inspiring. It concentrates on the subjects people are often least confident with – sales, marketing and putting a viable plan together.

Around 3.5 million people in Britain work for themselves. Is it possible you could become one of them?

Written especially for people over the age of 50, this booklet assumes no prior business knowledge. Suitable for both full and part-time ventures, it will set you thinking and get you moving.

**PRIME** stands for the Prince's Initiative for Mature Enterprise. It was set up by Prince Charles in response to letters he was receiving from people desperate to work but unable to find anyone to employ them – because of their age.

**PRIME** believes self-employment can be an effective and fulfilling way of sidestepping these problems. Though not right for everybody, you should certainly read on to find out whether it would suit you.

You can find out more about what **PRIME** and its partner organisations around the country can do to help at [www.primebusinessclub.com](http://www.primebusinessclub.com)



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