



South Dublin County
Enterprise Board

Business

Start-up

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Foreword

South Dublin County Enterprise Board exists for just one simple clear purpose; to help you to start and grow your own business in our county.

South Dublin is a great place to do business. We have a large, young population of our own, with immediate access to a market of 1.5 million people. We have a terrific modern infrastructure and we have world-class business supports.

We understand that the future of our local community depends on people who can innovate, who can make things happen, who are willing to take business risks— people like you.

This series of guidebooks is part of our support for entrepreneurs and owner/managers like you.

The series includes titles on:

- » Business Start-up
- » Business Marketing
- » Your Business Plan
- » Managing Business Finances
- » Your Business and the Law
- » From Redundancy to Self-Employment

They are there to summarise and simplify each topic and can be used on their own or as a preparation for some of our other services such as training or mentoring.

Whether you are already up and running, with ambitions to develop and grow, or just beginning to work towards starting your own business, South Dublin County Enterprise Board have a comprehensive range of supports covering all of the key issues in enterprise development. These supports include:

- » Information to help you start or grow your business, in the form of our website and a range of publications such as this one
- » Training courses in starting a business and a range of management skills
- » Mentoring support for business planning and specific management issues and projects
- » A range of financial supports
- » A range of business development networks

Contact us on 01 4057073 or info@sdenterprise.ie to discuss your needs and plans.

Loman O’Byrne
Chief Executive, South Dublin County Enterprise Board

2 - Introduction

This booklet has been produced by South Dublin County Enterprise Board to help those people in the County who are setting up in business. The purpose of the booklet is to give advice to entrepreneurs on how to plan the start up phase of a business.

This booklet will help you think through all the areas you need to consider before going into business and it will help you produce your own business plan.

You are welcome to work through the booklet on your own, but you can always approach the South Dublin County Enterprise Board for help at any stage. The contact details of many other organisations which may also be of assistance to you are at the back of this booklet. It is up to you to ask for help and you will find that it is readily available.

3 - The Right Idea

When you are setting up in business, the first step is to get the plan right. There is little point building a house if you leave out the kitchen or bathroom or forget to look for planning permission. Similarly, there is no point setting up a business for which there are no customers.

The success of your business, just like the success of your house, will depend on a number of factors, which will be covered in this guide. The first of these is making sure your idea is right; right for customers, right for profits and right for you as a person.

Finding Customers

To find customers, you need to know as much as you can about your market.

The best way to find out what customers need is to ask them. This is part of the process of market research. Different ways to research your market are set out on the next page with their advantages and drawbacks.

Market research will also cover the size of your market, the trends within it, how it is 'works' and details of your competition, including the strengths and weaknesses of how they do business.

Needs are sometimes not completely obvious. For example, people buy landscaping services to keep the grass down but they might also want to add value to their house, to save time, to impress the neighbours or to reduce hassle at home. When you know your customers' needs you can design your product or service to meet those needs.

Learning from others ...Identifying your customers' real needs

Based in Dunshaughlin, Co Meath, Shomera make high quality permanent extra rooms to fit in your garden. They found that people buy extra space but the real needs they have are to save time and stress by using the room as an office rather than travelling to work.

Interviewing potential customers

Whichever way you choose you should design a short questionnaire for use in your research. A sample is attached at the back of this publication but here are some practical tips to help you:

- » Think very carefully about what you want to find out.
- » Keep the number of questions short.
- » Use simple language.
- » Ask questions which encourage people to give straight and direct answers.
- » Try to put easy questions at the start.
- » Leave any sensitive questions, such as money spent or personal details, to the end of the questionnaire.
- » Especially if you are doing a postal survey, pilot or test your questionnaire design before spending lots of money on printing a questionnaire which does not give you the information you need. Also, get someone else to check any printed material for spelling or grammatical mistakes; you never get a second chance to make a first impression.
- » Take a look at any questionnaires you may have received or seen elsewhere.
- » If you do not want to use a full questionnaire, it is a good idea to have a list of questions you want to ask before you go out to talk to people. It is also important to record all the information people give you.
- » Consider how many potential customers you will interview. You need to contact enough to give you confidence in the results of the research. As a rough guide, if you are going to do something like supply builders with steelwork you should aim to talk to at least 20 builders; if you are planning a

new hairdressing salon you might talk to at least 100 potential customers.

- » Do not just interview friends and neighbours; they will be anxious to help you and so may say what they think you want to hear rather than give you their true though

Using published material to research your market

Estimating the size of the market can sometimes be done by using published material.

This includes Government statistics and published market research reports. For example, the Census will tell you how many people there are in a town or village.

If you were planning to open a shoe shop you could easily get the numbers of people in the area of your shop. You could then use the Household Budget Survey to find out how much people generally spend on shoes and multiply the two figures together to get an estimate of the market.

Example:

People spend an average of €3 per week on shoes. There are 9,000 people in the area where you want to sell, by multiplying the two figures together; we see the market for shoes in your area is €27,000 per week

Published material can also include trade magazines, newsletters and newspapers. It can include reports from different bodies both government and private sector.

WAYS TO RESEARCH	ADVANTAGES	DRAWBACKS
Talking face-to face to people; this can be in the street, door-to-door, at exhibitions or trade shows, on business premises or in small groups.	<ul style="list-style-type: none"> » You are in complete control » You can “see” reactions as well as hear them and you can respond to people during the interview. » There is less chance of misunderstanding what people are saying. 	<ul style="list-style-type: none"> » Can take quite some time and therefore can be expensive. » Not everyone will be prepared to talk to you. » People can say what they think you want to hear. » Not all of us are good at asking questions and really listening to the answers.
Talking to people on the telephone	<ul style="list-style-type: none"> » Can be quite fast; you can contact a lot of people in a short time. » Inexpensive. » ou can “target” people easier by choosing those you want to talk to. » If you listen well, you can answer people during the interview. 	<ul style="list-style-type: none"> » You may not like using the telephone. » Not everyone will agree to speak to you and it is very easy to say no on the telephone. » It might be difficult to get through to the decision-maker, especially in larger businesses or public bodies. » You cannot see the person you are talking to and you may not be able to establish a relationship. » It can be difficult to pick the right time to talk to people.

Carrying out a postal questionnaire	<ul style="list-style-type: none">» Can be quite fast; you can contact a lot of people in a short time.» You can estimate your costs exactly.» There is at least a chance people will keep or pass on your material and you might get business at some time from it.» People can see your document and take time to read it.	<ul style="list-style-type: none">» It is very difficult to design questionnaires properly.» The number of replies from postal surveys is usually very low.» People are used to high quality mailings so you may have to spend a good bit of money to get your presentation right.» It can be difficult and expensive to get accurate lists of people to contact.
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Checking out the competition

Checking out the competition can be done in a number of ways:

- » Get copies of their printed material; brochures, leaflets, catalogues.
- » Look at their advertisements.
- » Ask other people, including customers, their suppliers and people in the trade, what they think of them.
- » Especially if they are retailers, wholesalers or service businesses, visit their premises at least two or three times, preferably on different days; check out what they sell, how they promote it, what prices they charge, how their staff handles customers, how the place is laid out and kept. Pretend to be a prospective customer or, if you are not comfortable doing this, get someone you trust to do it for you.
- » Check their website, if they have one.
- » Go to trade shows and exhibitions they attend.
- » Think about what you can do to compete. Not all buying decisions are made based on price. People also buy because of the quality of the product, the ease of purchase, the reputation of the seller for after-sales service, the availability of the product or service and the packaging.

Estimating your sales

The result of your market research should allow you to estimate the sales you expect to achieve.

You can do this by:

- » Taking the estimated full size of your market.
- » Dividing this amount by the number of competitors you have plus yourself.
- » Multiplying that amount by the average price per sale.
- » Multiplying that amount by the total number of times a customer buys in a year.

Checklist One contains a worked example and there is then a blank checklist for you to complete for your business.



Checklist one: Researching the Market

(example answers from a landscape gardener)

Who exactly do you hope to sell to?

Example Answer: My customers will be house owners and other property owners, such as public bodies, hotels and factories.

Your Answer:

What are your customers' needs?

Example Answer: My customers need to maintain the ground around their property in a neat and tidy condition. Home owners need to save time and to maintain the value of their property.

Your Answer:

Where are you aiming to sell?

Example Answer: I plan to sell throughout Dublin in an area from Rathfarnham to Bray.

Your Answer:

What is the size of your market in the area in which you plan to operate?

Example Answer: I estimate there are 8,230 households in my target area, 4 public bodies, 12 hotels and 23 factories. (Source: 2002 Census, Yellow Pages website and local knowledge.)

Your Answer:

How much do customers usually pay for your product or service?

Example Answer: What my customers will pay depends on the size of their area. For an average house I estimate a customer would pay €25 to have the grass cut; other customers would pay a daily rate which I estimate to be €200.

(Source: own market research.)

Your Answer:

Where do your customers usually buy?

Example Answer: Customers buy in a number of ways; households buy through Golden Pages or through advertisements in the local press or shop windows or through recommendations from other people. Hotels buy as a result of direct approaches and public bodies buy as a result of a tendering process, which is usually advertised in the press.

Your Answer:

When/how often do your customers usually buy?

Example Answer: Householders buy usually from March until October; hotels and public bodies buy during the same season but also buy during winter if they need major cleaning-up work or planting done. Householders have their lawns cut around 10 times a year; hotels and public bodies use landscape gardeners about 20 times a year. (Source: own market research.)

Your Answer:

Name your competitors and indicate what they do well or do badly:

Example Answer:

COMPETITOR NAME	DO WELL	DO BADLY
A. Brown, Aylesbury	Good range of equipment. Good reputation for tidiness.	Very unreliable; breaks promises.
B. Smith, Rathfarnham	Very reliable. Individual service	Only works locally
c. Dimorph Rathcoole	Excellent at tree surgery and planting	Not interested in grass cutting generally. Reputation for being expensive.

Your Answer:

COMPETITOR NAME	DO WELL	DO BADLY



<p>What will you do to compete? Example Answer: I intend to travel all over the area, to get a reputation for reliability and to specialise in grass cutting.</p> <p>Your Answer:</p>
<p>What will be your level of sales? Example Answer: I estimate there are 8,230 households in my area. 6,000 of these have gardens and 1,200 of these use landscape contractors. There are three other competitors plus myself so I estimate I could get 200 households. I estimate each household will buy 10 cuts a year so at an average of €25 per cut that gives a total of €250 per household and multiplied by 200 households gives a total income of €50,000. So far as public bodies, hotels and factories are concerned I estimate there are 500 days' work a year between them all. Dividing that between four times gives an average of 125 days each but as I am just starting I estimate I will only get 75 days in my first year and at a charge of €200 per day this gives a total sales income of €15,000 My total sales, therefore, will be €65,000 in my first year.</p> <p>Your Answer:</p>

Making Profit

You should ideally enjoy business but the key aim of business is to make profits; no profit, no business.

The way to make money is to charge prices which not only cover your costs but also make a profit.

However, you can only charge a price that customers are prepared to pay. There is more about setting your price in the section below on marketing.

To ensure you make a profit, identify all your costs as accurately as possible. Use Checklist Two to estimate your costs for a year.

Checklist Two: Estimating Your Costs

Example figures, (Landscape Gardener)		Your OWN Figures	
Cost Item	Cost in € Per year	Cost Item	Cost in € Per year
Materials / goods for re-sale (seeds, etc.)	1,000	Materials / goods for re-sale (seeds, etc.)	
Staff Costs:		Staff Costs:	
Wages (one part-time worker)	10,000	Wages (one part-time worker)	
PRSI	850	PRSI	

		Other staff costs	
Transport Costs:		Transport Costs:	
Fuel	4,500	Fuel	
Servicing	1,000	Servicing	
Insurance and Road tax	2,000	Insurance and Road tax	
Hire Purchase/loan repayments	3,600	Hire Purchase/loan repayments	
		Other transport costs	
Insurance:		Insurance:	
Public Liability	1,000	Public Liability	
Employer's liability	1,000	Employer's liability	
		Other insurance costs	
Marketing:		Marketing:	
Website development and hosting	2,500	Website development and hosting	
Advertising	2,000	Advertising	
		Other marketing costs	
Other Overheads		Other Overheads	
Rent (shed)	1,000	Rent (shed)	
Heat & Light	500	Heat & Light	
Electricity	500	Electricity	
Postage	100	Postage	
Telephone / email / Mobile	800	Telephone / email / Mobile	
Stationery	100	Stationery	
Audit / Bookkeeper	1,000	Audit / Bookkeeper	
Sundries	1,200	Sundries	
		Other overheads	

Anything missing from the checklist? Yes, your own costs. You set your own wages and so you decide what you should take from the business as a wage each week or month.

Remember, in a business you may be the last person to be paid and some people starting in business do not take any wages for a period to allow the business to build up some capital, but you may not be able to afford to do this. The best way is to use Checklist Three to estimate what amount you need to live.



You must consider if the total amount of your wages can be recovered through the business in the year; that can only be done by looking at your estimated sales.

Practically everyone setting up in business underestimates their costs and overestimates their sales so, as a general rule, be cautious in setting sales targets and be very realistic when setting your costs.

Checklist Three: Your Personal Budget for a Month

Cost item	Cost in €
Mortgage or rent	
Electricity	
Heating	
Insurance	
Buildings	
Contents	
Life	
VHI	
Clothing:	
Self	
Partner	
Children	
Car Costs:	
Fuel	
Servicing	
Insurance/Vehicle Tax	
Personal pension costs	
Groceries	
Holidays, Christmas, etc	
Entertainment	
School fees	
Donations	
Personal loans, credit cards, etc.	
Sundries	
Total	

You will need to decide whether the amount you calculated in Checklist Two can be earned in your business. If it cannot, you will have to look at what savings you can make in your personal expenses. Whatever you actually take from the business in cash, you must include a reasonable amount in your costings. Otherwise, you are just subsidising your customer.

You need to know that your business will make you not only enough money to live on but also enough money to put back into the business so it can survive.

Remember, the van or machinery in the business will not last forever and you will have to replace them sometime. This is taken care of usually by building into your costings what is called “depreciation”. This can be explained in more detail by your accountant or business adviser.

It is not unusual for a business in its first year to make a loss as it can take some time to get established but you obviously cannot go on making losses forever.

Learning from others ...You can set a range of prices

Patricia Harrington in Boyle, Co Roscommon offers a wide range of beauty treatments - for some products she has a minimum charge and then prices rise depending on the amount of time a customer wants. For other products, there are fixed charges.

The Right Business for You?

You are the only person who can answer this question so think of the following points and get someone who knows you well to talk to you about your answers:

- » Does the business fit with your own personal goals - what do you really want out of life?
- » Have you the skills to make the business work - not just the skills to make the product or deliver the service but also the management and other skills needed to make a business grow? If you haven't all the skills, is there any way you can make up for the gaps?
- » Will you enjoy the work? There is nothing worse than doing something you detest.
- » Will the business fit with your family circumstances? In almost every new business you will have to work longer hours than you would work if you were to be employed by someone else but in some businesses you will have to work really irregular and long hours. Will this impact on your family and will they support you?
- » How do you handle pressure, commitment and stress? Being your own boss can be lonely at times. It can be full of ups and downs and you are responsible for everything.
- » Are you a people person? To succeed in business you need to be able to get on well with all kinds of people.
- » Have you the total commitment needed to make the business work?
- » Can you cope with taking calculated risks?
- » Have you the self confidence needed to set up a business?
- » What do your family and friends think? They know you best of all.

Use Checklist Four and the tool overleaf to help you decide if this is the right business for you.

Checklist Four: The Right Business

Question	Yes	No
This business will help me get what I really want from life		
I have the skills to make this business work		
If I lack any skills I can either learn them or employ someone with the skills		
I think I will enjoy the work		
My family and friends are in favour of what I am doing and will support me		
I believe I can handle the pressures of being my own boss		
I get on well with all kinds of people		

SWOT analysis

It would be useful to prepare what is called a “SWOT analysis” of your business, where S stands for “Strengths”, W for “Weaknesses”, O for “Opportunities” and T for “Threats”.

Strengths and weaknesses are internal to the business while opportunities are in the external environment in which the business operates.

Exercise:

Use the box below to prepare a SWOT analysis for your business:

Strengths:	Weaknesses:
Examples: Your location. The quality of your goods. Your reputation for reliability.	Examples: Too much competition. Your lack of finance. Difficulties in recruiting good staff. Your location.
Your Answers:	Your Answers:
Opportunities:	Threats:
Examples: Expand your customer base to new areas. Develop new products or services. Open a new location.	Examples: Loss of key staff. New competition. Changes in people's tastes
Your Answers:	Your Answers:



4. - Getting Started

You have decided the business idea is right so what do you have to do next?

Choosing Premises

- » You will need a base from which to operate the business. The nature of that base depends on your business; if you are going to retail you will need a shop, if you are going to manufacture you will need a workshop, if you are going to provide a service you may need an office and/or a workshop or store. In retailing it is often said the three things which decide the success of a business are location, location and location.
- » There are some points which almost make the decision for you about where to locate: do you expect your customers to come to you? If you do, then the easier you are to find and to reach the better. If not, then the time it will take you to get to your customers is the deciding factor, bearing in mind that time is money when you are a small business and there is always the cost of travel.
- » Some other pointers around premises:
- » Apart from staff, premises costs will probably be your biggest costs so choose wisely.
- » You may well be able to work from home, but check the planning situation and be sure you won't have objections from the neighbours. Think also about the effects on your home life of combining your business with your home.
- » Some people setting up in business want to own their own premises. That can be a good idea, but money tied up in bricks and mortar is money which cannot be used in the business. There is not much point in having a lovely building if you cannot pay your bills.
- » Get the best premises you can afford, especially if you are retailing.
- » Some landlords will allow a rent free period if you are making improvements to their building.
- » Get premises which are big enough to allow for some expansion.
- » If you are asked to sign a lease, get professional advice from a solicitor; you may think you understand your lease but it is worth getting advice from a professional.

Learning from others... Your premises needs can change as your business grows

P.J. Boner & Co. in Clondalkin specialises in industrial instrumentation and started with three employees in a small living room.

In a few years a 2,000 sq. ft. factory was purchased and then in 1999 the company moved into a high-tech factory unit almost three times the size of the first workshop. In the same year the company opened an office in Derry to provide a better service to customers in Northern Ireland and the North West.

Use Checklist Five overleaf to help you think about premises, especially if you plan to rent

Checklist Five: Choosing Premises

Question	Yes	No	Action Needed
Does the location of the premises suit the business?			
Do you have planning permission for what you want to use the premises for?			
Is there adequate parking nearby?			
Are all mains services available, i.e., water, electricity (Three Phase if you need it), sewerage?			

Is there room for modest expansion?			
Are there any health and safety issues to be concerned about? (For example, do you need a fire escape?)			
Do the premises comply with disability legislation?			
Are there adequate toilet and canteen facilities?			
Will you have enough storage space?			
Do you have or can you erect adequate signage?			
Is the rent reasonable in comparison with other similar premises?			
Will you have to pay a service charge, e.g., to cover cleaning or lighting of common areas, in addition to any rent?			
Do you know exactly what you are responsible for and what the landlord is responsible for, e.g., who maintains the outside of the building, who insures the building?			
Do you have access to the premises on a 24 hours, 7 days a week basis?			
Are the premises accessible for customers and staff?			
Have you got proper professional advice?			

Taking on staff

You may also need staff but try not to employ any staff until you absolutely have to. Moving from being a one person business to a business employing even one worker does not automatically mean your earnings will double.

In the early stages of employing someone, you will spend time instructing and supervising the new worker, time which you then cannot use to earn money or make sales yourself.

Many new businesses employ family members, partly to keep costs down but also because they feel more comfortable working with someone they know. There are good and bad points in this arrangement. Family members are less likely to be dishonest or unreliable and they may work harder. However, how do you discipline or sack a close member of your family? It is often best to keep personal and work relationships separate.

Use Checklist Six to help you think about taking on staff.



Checklist Six: Taking on Staff

Question	Yes	No	Action Needed
Have you written down exactly what the new worker will do?			
Does this require a fulltime or a part time post?			
Might there be advantages in having two part time workers rather than one fulltime worker?			
Have you written down what experience, skills and knowledge you expect the new worker to have?			
Have you thought about how you will recruit and select a new worker?			
Are you good at interviewing? If not, who can help you?			
Have you approached FÁS or the Local Employment Service for help?			
Have you checked out the wages that someone in this post might expect?			
Have you considered practical issues, such as where the new worker will sit/work & what training/tools/equipment they will need?			
Have you thought about a contract of employment?			
Are you aware of the rates of PRSI you will have to apply?			
Have you checked out employer's liability insurance and what it will cost?			

Choosing Equipment, Tools & Raw Materials

If you need equipment or tools, think seriously about buying second-hand. Newspapers often advertise auctions for machinery and fixtures and fittings for sale. Use the Internet to source suppliers if you prefer to buy new. If you are buying new equipment, you should consider registering for VAT, so you can claim back the VAT.

If you need raw materials or goods for resale, try to open trade or credit accounts with a number of suppliers, so you can buy at wholesale prices. Because you are a new business, it may be a while before you will be allowed credit. You will probably be asked for references before credit is granted, but buying at wholesale prices makes a huge difference to your costs. Of course, if you are paying cash, negotiate for discounts. Keep records and receipts for all the money you spend on equipment, tools and raw materials.

Making Contacts

Business success is know-how plus know-who. Having a good range of contacts and using those contacts to help your business is called "networking".

The most successful business owners are the best networkers so, from day one, keep a record of all the contacts you make. Your network can be the most important resource you have.

Use Checklist Seven on the following page to see just how big your network is and who might be of particular use to you.

Checklist Seven: Your Network

People	How they might help me
Family	
1	
2	
3	
Friends	
1	
2	
3	
Neighbours	
1	
2	
3	
Workmates, Past & Present	
1	
2	
3	
Past Employers	
1	
2	
3	
Former Teachers/Schoolmates	
1	
2	
3	
People I Play Sports or Socialise with	
1	
2	
3	
4	
People in my Community	
1	
2	
3	
People I do Business with	
1	
2	
3	
4	
5	

Surprised at the numbers? You might easily have 100 people on your list. Remember, each one of them has



probably 100 people on their list also so, if every one of the people on your list knew that you have just set up a dressmaking business and they told everyone on their list, then a lot of people will know you are in business and it hasn't cost you a cent.

Some tips on networking:

- » Grow your network. Go to events and meetings. If the County Enterprise Board offers a training workshop or networking event, or the Small Firms Association or Chamber of Commerce is having a seminar, go along, not just for what you might learn but for who you might meet. Swap business cards with everyone you meet; keep the cards you get carefully.
- » A network has to be a two way street; you must be prepared to give as well as to take.
- » Finally, keep confidences and don't badmouth people, especially your competition, in your network; you might be surprised how quickly comments get around and people wonder, if you badmouth others, what you are saying about them.

Raising Money

You will need money to start your business but what will you need it for, how much will you need and where and how will you get it? Estimating your financial needs

Generally, you will need money for two things: getting started and keeping the business going. To start the business, you may need what are called fixed assets, and to keep the business going, you will need what is called working capital.

Fixed assets are things which you can see and which are fairly permanent. They include premises, building alterations, cars, vans, equipment, tools and machinery.

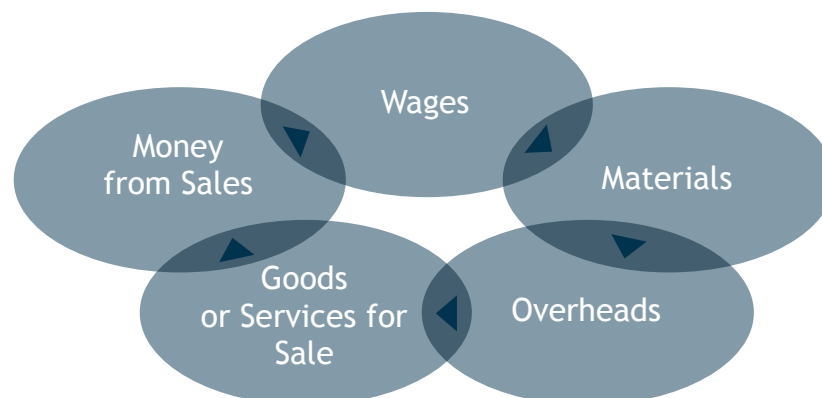
Estimating what you will need for fixed assets is usually straightforward and often involves no more than looking for quotations or negotiating.

Working capital is the money that works in your business. Think of it this way: you need money to buy raw materials, to pay your own wages and to meet your overheads so you can produce goods for sale. You won't usually get money for the goods you sell until you make and deliver them. You need therefore to have the cash to meet your bills until you get paid. That money is called your working capital.

Remember, the longer you have to wait to get paid, the more working capital you need and the more sales you make, the more working capital you need. Working capital is the blood in the veins of your business. More businesses fail because they do not have enough working capital than for any other reason, so it is essential you manage your working capital.

Cashflow forecasts

Using a tool called a Cashflow Forecast allows you to estimate your working capital. A cashflow forecast involves working out how much money you expect to receive in the business over a year, and then estimating how much money will go out of the business over the same period. In doing this, you take account of the



credit you may be giving your customers and the credit you may be getting from your suppliers. You then subtract the incoming cash from the outgoing cash on a monthly basis, and the difference is your working capital requirement. There is a worked example of a cashflow forecast at the end of this publication, together with a blank form to help you to prepare your own cashflow forecast.

If you need to borrow money to start your business or to grow your business, the first thing any lender will want to see is your cashflow forecast.

How much money will you need to set up your business?

Examining the viability of a project by funding some of the market research and/or prototype development costs. The grant covers 50% of eligible costs up to a max. of €5,100. Supported projects include software and consumer products.

Our Employment Funding can assist you in funding the creation of either your own or new staff positions. €7,500 per new, fulltime position created. The first three jobs in an enterprise are supported on a non-repayable basis. The fourth and subsequent jobs are supported on a repayable basis with repayments over 5 years, interest free.

Checklist Eight: Money Needed to Set Up the Business

	Amount in €
Building	
Equipment	
Vehicle	
Setting up costs (legal costs, consultancy, phone installation, etc.)	
Working capital	
TOTAL	

Finding where you might get the money you need

The first source for money is you. No one will finance all your startup costs. If you do not have anything invested in the business, investors and bankers will not see that you are committed to the business and are willing to risk your own money.

You need to be prepared to invest all you can in the business. This may be in cash and/or in tools or equipment or transport you already have, or it may be a personal loan to you from a family member or a friend.

The second source can be state support. If your business is engaged in manufacturing (incl. Software Development) or Internationally Tradeable Services, you may be eligible to apply for financial support from South Dublin County Enterprise Board. The majority of funding is repayable

Details of these supports can be found on the Board's website (www.sdenterprise.ie) or by contacting us on 01 4057073 to request a brochure.

The third possible source of finance is the bank. Obviously you need to have a bank account first so, if you do not have one, you will need to open one immediately.

Banks offer money in a variety of ways:

- » An overdraft allows you to take more money out of your account than you put in. The amount is fixed and you cannot exceed that amount, without the consent of the bank. The overdraft is usually for a period of 1 year, but the bank may end it at any time, especially if it feels you are abusing the facility or if you appear to be getting into financial difficulties. Banks may want some form of security for an overdraft.
- » Banks also lend money as loans. Loans differ from overdrafts. They are usually set for periods of more than 1 year; some are short-term, say 3 years and others can be long-term, say 10 years. Short-term loans are usually for funding needs such as equipment; long-term loans are usually for funding things like premises or building alterations. The interest rates are usually fixed for short-term loans and more flexible for long-term loans. Banks may require security for loans. Provided you keep making your repayments in line with your agreement, the bank is very unlikely to call in a loan. One tip - always keep your bank manager fully informed; banks do not like surprises. Establish a good working relationship with your bank by telling them in advance when you see troubles coming and it will be very helpful at a later date.

There are some other possible sources of finance, including:

- » The Credit Union. Again, you will need an account. Credit Unions lend money to members on quite favourable terms and they will normally be less demanding in terms of seeking security.
- » Hire Purchase or leasing may be suitable, if you are thinking of buying a car or van or piece of equipment. There are some technical differences between the two methods but essentially you are paying a fixed amount each month which allows you to use the goods.
- » If a lot of your business is dependent on giving credit to your customers, you may want to think about using a scheme called “invoice discounting”. Your accountant or bank manager can advise you fully on this option, but it may allow you to get up to 70% of your invoiced amount on the day the invoice is issued so that you are getting cash to a large extent.
- » Private investment may be an option. There are some people who have money to invest and who are sometimes prepared to put it into small businesses. However, they will be looking for a return on their money, and may even want a say in how the business is operated.
- » The Government may repay you, under certain conditions, the tax you have paid over the last six years, if you are setting up in business. This is called the Seed Capital Scheme. You can get full details from the Revenue Commissioners or your accountant.

Remember, money is something you buy like any other product. You wouldn't buy a computer or a drill without bargaining or shopping around for the best price. Do the same with money. Lenders need you as much as you need them.

All money carries a cost. Too many people borrow money, without realising how much it costs. There is an example below of how much a loan from a bank could cost over three years.

Where do you expect to raise the money you need?

EXAMPLE:

If you borrow €10,000 over 3 years at 7%, you will pay €2,100 in interest. If your business makes profits at 10% each year you would have to sell at least an additional €21,000 of goods or services over the 3 years simply to repay the interest. That works out at around €140 of extra sales per week.

Checklist Nine: Sources of Money for the Business

	Amount in €
Own savings	
Family loans	
Bank borrowing by your company	
Hire purchase	
Grant aid	
Other	
TOTAL	

Your Business Plan

When you are looking for money, the lender will almost always ask for a copy of your business plan.

Apart from this, and perhaps even more importantly, a business plan is a tool that allows you to control your business. It is just like the steering wheel of a car. It sets out what you aim to do in your business and how you propose to do it. You can then check how you are actually doing and ask yourself why things have turned out differently. You may need to steer the business in a different direction. A sample business plan is at the back of this booklet and there is also a blank form which you can complete to produce your own business plan.

Try to prepare as much as possible of the business plan yourself. When you go to the bank or any other lender, they will ask you questions about the plan and, if you have not been involved in preparing the plan, you might not understand it and be unable to answer questions. That makes a lender nervous.

However, if you feel you need help to produce a business plan, contact South Dublin County Enterprise Board. We constantly organize start-your-own-business training courses, which show you how to write a business plan. In some complicated cases, we may appoint a Mentor on a one-to-one basis to advise you how to write your plan.

A business plan does not have to be complicated, but it must be written in such a way that anyone reading it will know:

- » Who is setting up this business? What skills background and experience does the promoter have?
- » What products will they make, what services will they provide, and what will they be selling?
- » Who are the customers?
- » Why will they be likely to buy the goods on sale?
- » How much will they pay and how often?
- » How will sales be obtained?
- » Where will the business be based?
- » How many staff, including the owner, will be employed?
- » How much money does the business need to get started and to operate?
- » Where will this money come from?

- » How much of the money is coming from the owner of the business?
- » How much is the business looking to borrow?
- » Can the business meet the costs of this borrowing and can it repay the loan in a reasonable time?
- » Will the business be profitable? When?
- » Who will manage the business and control the finances?
- » Who are the advisers to the business?
- » What is the legal format of the business?

It is not enough just to state the facts as you see them; you need to be able to back up your statements. For example, to show you stand a chance of getting sales, you should have some orders or at least some letters from possible buyers.

To back up the financial statements you are making, you will have to prepare financial projections. These include the cashflow forecast mentioned earlier and also a profit or loss forecast and a balance sheet.

The cashflow forecast has already been explained. The profit/loss forecast is simply your estimate of the amount of money your business will make or lose over a year.

A balance sheet is a snapshot at a set time, usually at the end of a year, of the financial position of the business. What and how much does the business own? What and how much does the business owe? Taking one sum away from the other, how much is left? If the difference is a plus, then this is what the business is worth. If the difference is a minus, the business is said to be insolvent; in other words, it cannot pay its bills.

The balance sheet will also show where this money came from, in other words how the business has raised the money it needs to operate.

A separate workbook is available containing guidance on writing a business plan together with a template. You can download a copy of this workbook from the Downloads section of our website; www.sdenterprise.ie. You can also request a printed copy from our offices by ringing 01 4057073 or emailing info@sdenterprise.ie (subject to availability)

The Legal Forms of Business

The easiest and most common form of business is a sole trader; in other words, you are in business on your own and you are responsible for everything.

There are very few formalities involved in setting up as a sole trader and there are no costs involved. Some of the disadvantages are that you are personally responsible for all debts and there may be some tax disadvantages. You do not have to stay as a sole trader; you can decide at a later date to set up a limited company or to enter a partnership.

When two or more people set up in business together, it is usually called a partnership.

Partnerships can be difficult. At the beginning, when everyone is enthusiastic and working hard, it is great and you have someone to talk to and share the worries and the joys. Unfortunately, if things get tough or a partner runs into difficulties, perhaps even unconnected with the business, and they are unable or unwilling to pull their weight, then it can be unpleasant. Many good friendships have been lost through broken business partnerships.

Remember, a partnership does not mean you share the risks; if things go wrong in a partnership and you owe money to a bank or other creditors, they will chase you for all of the money, not just half of it.

If you decide to go into business as a partnership, here are a few tips:

- » Try to choose as partner(s) people who have skills or contacts which are different from yours.
- » Sort out at the beginning exactly who does what in the business.
- » Agree what each partner is going to earn from the business.
- » Get a solicitor to prepare a written partnership agreement which sets out all the understandings between you and your partner(s).

- » Have regular meetings to discuss how the business is doing.

The third possible form of business is a limited company, which can be set up by two or more people. It is possible for two people each to invest €1 each and they are then the shareholders in the company. This could be a married couple or two people who are unrelated.

The shareholders own the company and are entitled to any profits. They appoint directors to manage the company; shareholders and directors can be the same people.

A limited company can be private or public. If it is private, the shares cannot be bought on the open market but, if it is a public company, shares can be bought publicly.

A company is a formal structure and it is advisable to ask a solicitor to set it up for you. A limited company is a completely separate legal entity from the owners of the business. This means it can give you some protection, in that you are not personally responsible for the debts of the company, unless you have given a personal guarantee to the bank or other creditor. There may be some advantages, such as tax benefits.

A limited company presents a professional image in the marketplace. However, it carries a number of legal responsibilities and it is more expensive to set up and maintain a limited company.

You should seek advice from your accountant and your solicitor before finally deciding on the type of business format you will choose. You also need to consider the tax implications of your decision.

Exercise:

Which form of business will you choose?

The Law & Your Business

Business today has to comply with a considerable amount of legislation:

- » You have to register your business with the Revenue Commissioners and you must pay PRSI for any staff you employ.
- » You must register for VAT if your annual turnover exceeds or is likely to exceed the following annual limits: €70,000 in respect of the supply of goods €35,000 in respect of the supply of services.
- » You will have to observe Health and Safety legislation. If you are involved in making or selling food or drinks, you will have to comply with environmental health legislation. Your workplace must be a safe place for your staff and customers and any other visitors.
- » If you are going to employ people, you must observe employment legislation and you will have to give staff Contracts of Employment.
- » For some businesses, especially in transport and broadcasting, you will need a licence or permit.
- » If you are changing the use of a building or building new premises, you will need planning permission.
- » There are also regulations around the registration of your business name, if you use a name other than your own name. Contact the Companies Registration Office (CRO), whose address is in the Help section at the end of this booklet.
- » If you are setting up a limited company or a partnership you should contact the CRO or your Solicitor.

It is important to check whether there is any other legislation which applies to your business. All of the agencies responsible for this legislation produce guides to help you and their addresses are at the end of this booklet.

Exercise:

Which specific laws will you have to observe?

5 - Up & Running

If you have got this far, you will be in business. There are now two key things you have to do:

- » Get orders by marketing your business.
- » Keep the money flowing and look after it.

Marketing

Marketing has been described as “Finding out what people want and selling it to them at a price they are prepared to pay and at a profit to yourself”. It has also been described as “Selling goods which don’t come back to people who do”. Marketing is not complicated, it is basic common sense and there are just four things you need to manage to ensure you get sales.

Product/Service

Your product or service needs to be right for the customer. That means the design has to be good, the quality has to be at least reasonable, there has to be a choice if possible (sizes, colours, materials, etc.) and the packaging and presentation has to be right. No matter what business you are in this applies to you.

The fitted kitchen you make has to look right, it has to be strong enough to do the job, and it has to fit into the space properly. The meal you offer in your snack bar has to be tasty and presented on a clean plate in clean surroundings. If you cut lawns, the grass must be cut properly, the sweepings must be removed, the edges must be done and so it goes on.

Use Checklist Ten to think about your product in terms of your marketing.

Learning from others... It helps to offer a choice

Cloaks of Ireland in Bandon, Co Cork, have addressed the product question. They offer a range of traditional cloaks, capes, shawls and wraps. Some products are replicas of the classic clothing worn by people up to the turn of the 19th century and others are based on modern designs suitable for casual wear or a special occasion. Fabrics include wool, cashmere, velvet, silk, satin and tweed. Products are available in all sizes-petite, tall, small, fuller figure, etc.

Checklist Ten: Getting the Product / Service Right

What are the essential things or features my product/service must have?	
What quality is my customer looking for? How can I make sure I offer that level of quality?	
How can I offer my customers a choice?	
How can I present my product/service so that it looks right?	
How can I make sure my product/service looks at least as good as the competition?	

Price

Remembering that you are in business to make a profit, you have a number of choices to make about your selling price:

- » You can sell cheaper than the competition. If you do this, you may attract sales for a while but all that might happen is that your competitor will undercut your prices and there is a price war. The only person to benefit from that is the customer. Remember, your selling price makes a statement about your product. If you go in to a shop and see something which is a lot cheaper than you expect, what is your reaction? It must be no good or not as good as the dearer item on the shelf beside it. Remember, it is a lot easier to lower prices than it is to raise them. Try not to sell on price only. People are influenced by many things when they go to buy. They look at appearance, colour, size, fit, novelty, reputation, image, after-sales service, guarantee and above all, they buy from people they like.
- » You can sell at the same price as the competition. Choosing this option is saying to the customer, “My product is as good as my competitor’s”. It is a fairly safe option, because you may have room to drop a little if you find you need to.
- » You can sell at a dearer price than the competition. Yes, this is an option. You might choose to do this if you are convinced that your product offers more than the competition’s product. Your higher price is making that statement. You are also appealing to people’s basic instinct, which says, if it is dearer, it must be better. However, this will only work with items which are not everyday buys, though the staff in the office will happily pay over the odds for their daily sandwich if they get unusual fillings. It is a risk, so do your homework well before going down this route. You must have something extra to offer if you decide to charge a higher price.
- » You can have special offers. This is really more of a decision about your promotion and advertising, but special offers can draw in new customers. Calculate what they are costing before you start.

Exercise:

How will you set your prices? Cheaper than, same as, dearer than the competition?

Sales and distribution

You have to sell in the right place and get your product to the customer.

There are lots of places to sell, depending on your product. Look at some of the options:

- » Door to door.
- » Shops of all kinds.
- » Market stall.
- » Business to business (calling on other businesses using a sales representative).
- » Mail order (responding to orders sent to you as a result of advertisements you place in newspapers or magazines).
- » Direct mail (sending offers out to potential customers through the post).
- » At exhibitions or trade shows or events like wedding fairs.
- » On the Internet, either on your own website or on a host website.
 - Through a catalogue.
- » Through party plans.
- » At the roadside.
- » Car boot sales.
- » By tendering to public bodies.
- » By getting subcontracts from larger businesses.
- » By acquiring a franchise (paying a successful business for their know-how).

Some people sell through “middlemen”, usually called agents or distributors. Agents are people who sell on your behalf and get a commission for all they sell (after you get paid of course!). They do not carry stock or buy goods from you.

Distributors or wholesalers do buy goods from you and carry stock of your products. You sell to them at a price cheaper than people normally buy from you, so they can sell at a profit themselves.

Whichever way of selling you choose, it must fit your product. You wouldn't try to sell lingerie at the side of the road, nor would you sell fitted kitchens through party plans. Choose the way you will sell based on the costs and on the ease of doing it.

Exercise:

Where and how will you sell?

Promotion/advertising

You must promote your product as widely as you can.

One of the biggest challenges for any new business is getting your story out. How do you make sure people know you are in business? Most people reply, "advertising".

But do you know what newspaper or television advertising costs? Even a one-off small advertisement in a local newspaper could cost over €100 and a very short advertisement on television could cost thousands of euros. Most small businesses cannot afford huge advertising budgets, so what do you do?

The best advertisement is a satisfied customer. Get it right first time and your customers will do all the advertising you need. Don't you tell people about the great meal you had or the great deal you got on a car repair? You'll also tell people about the terrible service you got in a shop or about how you stayed in for a whole Saturday and the boiler repairman didn't turn up.

There are other things you can do which don't need to cost a lot of money and they can be effective if you do them right:

- » Get business cards printed; never go out without them and give one to everyone you meet. Tell everyone you meet you are in business and ask them to tell others ... but don't bore people or push too hard.
- » Get press publicity when you launch your business; most newspapers and other media are always on the lookout for human interest stories. If you have an angle it will help. Are you the first woman car mechanic locally? Do you make clothes especially for disabled people? Are you opening a shop especially for asylum seekers and refugees? Are you the first person locally to open a business on the Internet? Have you just won a big contract from Northern Ireland? Think of an angle or a hook like this to hang your story on.
- » Make sure your business can be easily found; get the biggest sign you can afford.
- » Use community notice boards in supermarkets.
- » Sponsor the local school or youth football team or whichever group fits your business and be sure the group that you sponsor gets you publicity.
- » Use flyers through door-to-door drops.
- » Consider an advertisement in the Golden Pages.
- » Give incentives to encourage loyalty among your customers; have free draws for regular customers, have a loyalty card if you operate a restaurant - buy nine meals and get one free. Say thanks to regular customers; even a Christmas card is appreciated. It is a lot easier to keep existing customers than it is to get new ones so keep them sweet.
- » Reward customers who introduce or recommend you to another customer.
- » Make sure your telephone is answered promptly and in a friendly manner. Have an answering machine, or use a telephone answering service if you are often away from the phone.
- » Keep appointments, answer letters and return phone calls.
- » Make promises and keep them.
- » Ask customers if they were satisfied with your work and ask new ones how they heard about you.
- » Put right any mistakes and apologise if you are wrong. Treat a complaint as a chance to keep a customer, not as a nuisance.
- » Do one thing each week to generate sales; it might be a sales letter to two or three leads or a phone call or a quick visit to a potential customer.

Pick the actions from the list above that you could use in your business and use Checklist Eleven to draw up a simple promotion plan for the next 6 months.

Checklist Eleven: Your Promotional Plan

What will be done?	When will it be done?	How much will you spend on it?	Who will do it?

As you work through these areas try to come up with something which is different or unique and which will distinguish your business from your competitors.

If you think carefully about each of these four areas - product, price, promotion and distribution - and if they all fit together, you will get sales. That is what marketing is about.

Managing Cashflow

Keeping the money flowing is critical to the survival and success of your business. Cashflow is the lifeblood of any business; cash is king in a business.

To keep the money flowing in, you should:

- » Deal in cash when you can, but remember to keep records.
- » Only give credit when you have to; remember, giving credit is actually lending money. Before you give credit, ask yourself, "Would I lend this person €500 (or whatever the amount is)?"
- » Ask for a deposit or negotiate stage payments if you are starting a long piece of work
- » Send out your invoices promptly.
- » Have trading terms and stick to them; if someone does not pay within the trading terms, get on the phone immediately. Remember, if someone owes you money for longer than 90 days, you will lose an element of your profit due to interest charges and recurring overheads.
- » Actively pursue your debts.
- » Finish a job, do not give the customer the excuse you are not finished.
- » Take as much credit as you can yourself without doing damage to the trading relationship with your supplier.

Keeping the books

To look after the money when you get it, you will need a bookkeeping system. There are some options here for you.

One is to start with a computerised bookkeeping system. These are now inexpensive and fairly simple to operate. If you can do this, or if you can get someone to do it for you, it is the best option because someday your business may grow to the point where you have to have a computerised system and you will



spend a lot of time and money changing from a manual system to the computerised system. You may want to consider enrolling for a training course in bookkeeping. Contact South Dublin County Enterprise Board for details of suitable courses.

If you cannot, or do not want to, use a computer, there are a number of very good book-keeping sets especially for small businesses which you can buy from any good office supplies company. The South Dublin County Enterprise Board also run regular courses on keeping manual books of accounts. Try to avoid using old files and scraps of paper.

Bookkeeping is covered in more detail in another publication in this series, but here is a quick guide. A good general rule is to keep every piece of paper belonging to your business until your accountant tells you it is not needed.

- » Start by writing out an invoice (a bill or docket) for everything you sell and keeping a copy of each invoice.
- » In a book or on a page record all of these invoices, in other words, what you sold and who you sold it to. This book is called your sales invoice book.
- » Get an invoice for everything you order or buy yourself and keep these in a file.
- » In another book, or on another page, record these invoices, in other words, what you bought or what you have been charged. This book is called your purchases invoice book.
- » When you receive money, whether by cash or cheque, write the details into another book; that book is called your cash book.
- » When you write a cheque, put the details in another book; that book is called your cheque journal.
- » From time to time, you will need small sums of cash to pay small bills or costs like meals or parking fees; this is called petty cash. You should also keep details of any expenses incurred in this way.
- » Ask your bank to send you a statement at least every month and keep all the statements in the wallet the bank will give you (for free).

Now you have the records, what do you do with them?

Every month you should prepare a simple profit and loss account, showing what you earned (your sales) and what you spent (wages, materials and overheads).

Take one from the other and see what profit or loss you have made for the month. Compare your figures with the forecast you prepared at the beginning of the year and look carefully at any big differences.

Look also at who owes you money and what money you owe. Make a list of those who owe you money and chase payment.

List those you owe money to and decide who you will pay. Include VAT and PRSI in your list.

Check your bank statement. First, you want to see how much money you have in the account or how much money you owe the bank. Remember the bank statement may not show all the cheques you have written and it may not include some lodgements. Second, check the account to make sure it is correct; banks can make mistakes too.

It is a good idea to revise your cashflow and your profit/loss account forecasts every quarter using the information you have from your books.

Appendix I - Sample Market Research Questionnaire

This is based on a market research survey carried out by a lady planning to start a business, making specialist clothing for young children between 5 and 11 years of age. She approaches a number of young mothers whom she can meet at the school gates or in shopping centres. Before she starts, she does a test run with her questionnaire. Notice that she can record most of her answers very quickly by ticking or circling a phrase.

1 Good morning / afternoon; my name is _____ and I am thinking of setting up a small business locally to make clothes for small children. Would you give me just a couple of minutes of your time to answer some simple questions? Thank you.

2 Do you buy clothes for children between the ages of 5 and 11?

Yes No (if No, thank person and move on)

3 Which of these do you buy:

	Yes	No	Notes
Shirts			
Blouses			
T-shirts			
Sweatshirts			
Sweaters			
Short trousers			
Long trousers			
Dresses			
Skirts			
Other			

4 Where do you normally buy these clothes? (Tick all the person mentions)

Local small shop Local large store, e.g., Dunnes, Debenhams
 Through a catalogue Elsewhere (please say where)

5 Which if any of these is important to you when you are buying clothes?

	Very important	important	Not very important
Design			

Quality of material			
Choice of colours			
Choice of sizes			
Range of materials			
Guarantee			
Price			
The brand name			
Customer care			

6 Do you have any difficulties buying clothes which meet your needs as you have just described them?

	Yes	Notes
Design		
Quality of material		
Choice of colours		
Choice of sizes		
Range of materials		
Guarantee		
Price		

7 What is the single most important thing you consider when you are buying clothes?

8 How many children do you have and what are their ages?

Child 1	Child 2	Child 3	Child 4	Child 5	Child 6

9 Approximately how much money do you spend each month on children's clothing?

- e50
 e75
 e100
 e150
 e200
 more than e200

10 Thank you very much for your help

Appendix 2 - Help!

Setting up in business is not easy and there may be times you will be tempted to throw in the towel, but there is a lot of help out there for you, if you ask.

Your first port of call should be South Dublin County Enterprise Board. The Board is based at County Hall, Belgard Square North, Tallaght, Dublin 24. The telephone number is (01) 405 073, fax number is (01) 451 7477 and the email address is info@sdenterprise.ie. On line, visit our website at www.sdenterprise.ie

Another excellent source of information is the BASIS website operated by the Department of Enterprise, Trade and Employment. It can be accessed at www.basis.ie.

All the major banks have guides and resources for entrepreneurs on their websites. Your bank account manager should also be seen as a source of help, if you develop a good working relationship. Another person you will undoubtedly need is an accountant. There are many good accountants around so how do you choose? Most of us take advice; we simply ask around and get comments from people who are customers of accountants.

Possible other contacts for help are listed below.

BASIS
www.basis.ie

Companies Registration Office
www.cro.ie

Central Statistics Office
www.cso.ie

Dept. of Enterprise, Trade & Employment
www.entemp.ie

South Dublin Chamber
www.sdchamber.ie

Enterprise Ireland
www.enterpriseireland.com

County & City Enterprise Boards
www.enterpriseboards.ie

Forfás
www.forfas.ie

Government Departments & State Agencies
www.irlgov.ie

Irish Exporters Association
www.irishexporters.ie

Irish Patents Office
www.patentsoffice.ie

Irish Public Sector Procurement
www.etenders.gov.ie

Irish Small & Medium Enterprises Association
www.isme.ie

MicroTrade (All-Island Networking)
www.microtrade.org

PLATO Ireland
www.plato.ie

Revenue Commissioners
www.revenue.ie

Small Firms Association
www.sfa.ie

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