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IDEA2LAUNCH is a hands-on Pre-startup program aimed mainly at aspiring entrepreneurs to enable them to test and validate their business ideas to determine whether they are worth pursuing further or turning into a viable business. Participants in the program who fully and successfully complete program then gain access to join the Post Launch membership program alongside others within network.

In our IDEA2LAUNCH Pre-Startup program you will learn the best known, tried and tested strategies that we've covered:

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## **IDEA2LAUNCH PROGRAM**

### Pre-Startup Program

for

### Aspiring Female Entrepreneurs and Founders

**Session Title:** IDEA2LAUNCH Pre-Startup Program

**Facilitator name:**

**Date:** tbc

**Location:** Online/Virtual

#### **AIMS and OBJECTIVES:**

##### **Aims:**

To understand the basics of starting your own business and how to create and develop a business idea, hobby or existing skills into a viable business venture.

##### **Objectives:**

- To understand the process involved in starting your own business including the following: exploring your idea; assessing your business idea; proving its concept, product prototyping and testing; business idea development; naming and registering your business and funding your business.
- To be able to use action-based tools and resources; follow and apply step-by-step tasks to develop your own business idea, prove your concept and test your product or service to determine whether your business idea is worth pursuing further or can be turned into a viable business.

**Skills requirements for learners:** No previous business knowledge or skills required by participants. Basic computer knowledge and ability to read and write in English.

### **What resources will I require?**

- (Offline) Handouts – A3 Spread Action flat plan, pen and pencil, sticky notes, Notebook, To-Do,
- (Online) – Action flat plan
- Activities
- Assessments

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## READ ME FIRST

Dear Aspiring Entrepreneur,

If you have a business idea, hobby, skills or a side hustle that you would like to turn into a viable business venture, then this program is for you! Our IDEA2LAUNCH Pre-startup program is designed to help you test and validate your business idea and determine whether your idea is worth pursuing further or turning into a business idea.

### Here's why...

Many aspiring female entrepreneurs have come up with brilliant and innovative business ideas and also developed skills that they've either not utilised or explored further! However, not all of them go on to turn these ideas into business but most importantly into viable businesses, as they assume that they need capital (and plenty of it) in order to turn their business ideas into a viable business.

Through our IDEA2LAUNCH Pre-startup program, aspiring female entrepreneurs can also gain access to other essential business resources such as business support, networking, industry contact and funding options experts. The program includes practical and action-based activities needed to test and validate the business idea to determine whether it's worth pursuing further and turning into a viable business venture.

Our IDEA2LAUNCH Pre-startup program is designed for both online and offline and also contains online resources and tools to equip you with the fundamental knowledge and understanding you need to navigate the long winding road of setting up your own business from ideas or pre product stage right through to launch!

Across the UK women are coming up with ground-breaking innovative ideas but most of them are still waiting for the perfect moment to start which for some never arrive so hence this is your opportunity to take that step now and start your entrepreneurial journey the right way and within the shortest time possible!

**BELOW are just some of the fundamental aspects of starting a viable business that we will look at and that we hope you will learn:**

- To explore and assess a business idea i.e. identifying the problem or idea and coming up with viable solutions to tackle such problems. We also explore the process involved in moving from idea to concept stage.
- We explore and assess the business idea's feasibility i.e. determine whether it would work in the real world; sustainability i.e. whether it's able to make money or profitable; scalability i.e. whether it has growth or expansion potential; its market potential and its competitors.
- The process involved in testing and validating your solution i.e. proof of concept and prototyping - be it a product or service or both. This would help to better understanding of the problems you have identified as well as the solutions you have come up with.
- Developing the business idea i.e. exploring various business models and examples

of business models to assess how your business idea will make you money; use of business canvas model to explore and assess the structure of your idea or concept in a more coherent way.

- To use the action-based tools and resources to develop your own business idea, prove your concept, test your product or service, customer acquisition.
- You will learn to apply the strategies and methods used in this workbook to your own business idea with the help of real case studies that we use throughout the program.
- Exploring ways of naming and branding your business to help your business stand out from your competition.
- Exploring and assessing some of the legal aspects of running a business such as choosing your business structure, opening a business bank account, and book-keeping and accounting.
- Exploring and assessing business funding your business to help you start, manage and grow your business.

In addition to these by using our IDEA2LAUNCH Pre-startup program you will:

- Eliminate most of the mistakes and obstacles that prevent MOST aspiring female entrepreneurs and startups from starting their own businesses or turning their side hustle into a viable business.
- You will know how to come up with revenue strategies and how to generate money or income from your business idea.
- You will have access to our entrepreneurial ecosystem which consists of a wider network of business support partners, professional and industry contacts, networking, learning, finance and funding information and sources.

### **And much more...**

Our program will provide you with the basic and yet crucial information you need to turn your idea, hobby or your skills into a viable business. We encourage you to carefully read and understand the sections in this workbook from start to finish, apply and implement the strategies to develop your business idea as soon as you possibly can!

### **What To Do Next...**

Also remember just like any other learning experience, there's THREE alternatives available to you!

1. Participate in our program and at the end of it just pack it away and don't do anything about it.
2. Participate in our program, apply and implement the strategies to develop your own business idea straight away!
3. Participate in our program, apply and implement the strategies to develop your own business straight away! If you need further support join our IDEA2LAUNCH Post Startup Club!

**Wishing you all the best!**

**Rita Peacock**

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## TIMELINE NOTES

This IDEA2LAUNCH Pre-startup program is designed to help you get your head around some of the key aspects of starting your business particularly exploring your business idea and assessing its viability. It also helps you to set achievable and practical goals that will lead towards the completion of your product or services and try them out in the real market environment.

What follows now are a range of various tasks and activities for you to walk through using some practical tools and supplementary activities and resources. The program is divided into **8 Sections** – which include Getting Started, Ideation, Assessing your business idea, Proof of Concept and Prototyping, Business idea development, Naming your business, Registering your business, and Funding your business. The program also includes a Resource hub with useful information and relevant links to useful information.

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## SECTION 1: GETTING STARTED

### INTRODUCTION

Hello,

I would like to thank you for signing up to our IDEA2LAUNCH Pre-Startup program. I would also like to congratulate you for taking this decision of starting your own business but most importantly for choosing our IDEA2LAUNCH Pre-Startup program to explore your business idea further.

Before you get started with the program I would like to briefly introduce myself. My name is Rita Peacock and I am the Founder of Untapped FR, an online portal for aspiring female entrepreneurs, start-ups and women-owned businesses across the UK. We provide access to essential business services such as business auxiliary support, learning, networking, funding and industry experts. We support, connect, empower and increase visibility of women looking to start up their own businesses and those already in business. Untapped FR serves as a business support and resource portal for female entrepreneurs across the UK. Our FOUR core service hubs allow us to actively support female entrepreneurs and provide access to various services provided through carefully selected corporate, private and public sector organisations within the UK and beyond.

I am also an entrepreneur, Business Consultant, Certified Trainer, Advisor as well as Creator of the “IDEA2LAUNCH Pre-Startup program” which is the flagship program of UNTAPPED FR LTD.

I mainly work with aspiring entrepreneurs, entrepreneurs, micro, small and medium-sized businesses, within the UK and globally, helping them to start, manage and grow

sustainable and meaningful business ventures.

I designed and developed this program in order to help and support aspiring entrepreneurs looking to start their own businesses. The program helps you to determine whether you've got a valid business idea worth building a sustainable business around it.

I decided to design and develop this pre-startup program after many years of exploring my own business ideas and trying to find an ideal hands-on and practical pre-startup training or program that would help me to turn my ideas into viable businesses. At the time there was no such a program that would help me get up and running within a shortest time possible while at the same time going through all the essential steps of developing a viable business. There was none then and there's none at the moment!

So I finally decided to design my own program based on combined various tried and trusted methods and approaches. These methods and processes helped me to develop, start and grow my portal and my other business.

Today, Untapped FR has gained a lot of support from both the public and private sectors, other businesses and entrepreneurs as well as organisations whose mission align with what we do and that is supporting, empowering, connecting and inspiring female entrepreneurs. Untapped FR is now considered by aspiring female entrepreneurs and women-owned businesses as a one-stop portal that provides access to essential business support, networking, learning, professional and industry contacts as well as access to funding options and sources.

The IDEA2LAUNCH Pre-startup program will enable you to explore your own business idea, skills or hobby further, test and validate your new product or service and help you assess its market potential in the real world before starting or launching your business venture.

Our IDEA2LAUNCH Pre-startup program is an online and offline program that utilises action-based tools and resources that enables you to explore your business idea by helping you work through and completing easy to follow tasks and steps at your own pace and complete it whenever you want.

Our program is delivered through the following formats:

1. One-to-one (work at your own pace)
2. Collaborative (in a group environment alongside other participants)
3. Workshop (facilitator-led groups either online or offline)
4. Co-Creation (ideal for group/team looking to work on a joint idea)

At the end of the program you will have tested and validated your business idea and completed and developed a viable business that you can either start or develop further.

If you need further support and advise we have set up a dedicated support forum for you and other participants to contact us, ask questions and use additional program materials and other tools. We strongly encourage you to join our support forum and chat to others going through the same process and also learn and get inspiration from others. You can also reach us on **startupsupport@untappedfr.co.uk** for any urgent inquiries and we hope to get back to you within 48 hours.

I hope you find our IDEA2LAUNCH Pre-startup program useful and enjoyable but most importantly insightful as you embark on this challenging but exciting entrepreneurial journey!

**Rita**

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## ENTREPRENEUR SELF-ASSESSMENT

This questionnaire includes 13 statements, and will take about 10 minutes to complete. Please note that there are no right or wrong answers so please ensure that your as honest as possible in order for you to learn more about yourself.

The questionnaire is numbered in such a way that it enables you select a statement and each statement contains the number that best describes your opinion. It is also vital that you complete and give answers to all the statements to allow you to fully benefit from this tool.

Once you have completed the questionnaire, your answers will be compiled and the results will be revealed for you to evaluate your entrepreneurial attributes.

### Are you **READY** to start your own business?

Here you will need to assess what skill sets you already have (strengths), what skill sets you are lacking (weaknesses), what aspects of your skills you need to improve on (opportunities) and what aspects of your life might affect your success or that of your business? These include individual skills, experiences and abilities necessary to acquire and perform a role or start, run and grow your business.

**(Questionnaire form)**

## IDENTIFYING YOUR STRENGTHS AND WEAKNESSES

<b>Strengths</b> (skill you already have)	<b>Weaknesses</b> (skill you are lacking)	<b>Opportunities</b> (skills you need to improve on)

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Skill sets may include the following

- Business management
- Teamwork and leadership
- Communication and listening.
- Customer service
- Financial .
- Analytical and problem-solving
- Critical thinking
- Strategic thinking and planning

Your Task: List at least FIVE skill sets in each of the following column.

## SECTION 2: EXPLORING YOUR IDEA

### Business idea generation

Coming up with a new and great business idea isn't an easy thing for everyone. However, with some practice it can get easier particularly for people who are able to notice or identify some problems or needs of people in society, to have the ability to come up with some great ideas.

Usually business ideas are generated from problems and challenges that you either come across, that of others around you or elsewhere in society. Some business ideas can also be based on the needs of people or at times the things they want. Once you identify the problem the next thing to do would be to come up with a solution that would solve that problem. Not all problems turn into good business ideas though and not all problems have solutions that make a viable businesses. So before you come up with any ideas you have to really think about the problem that you have identified as well as the solution that you've come up with before you consider turning into a business.

### What makes good business ideas?

Good ideas are everywhere and usually come from the following:

- Ideas that solve problems in society or for people e.g. solving problems for ageing population, health and well-being, social and environmental issues etc.
- Ideas that help you other people to utilise relevant skills, hobbies or side hustle e.g. those passionate about climate change, conscious consumption or those with skills such as software development, teaching, accounting etc.
- Ideas that make society and people's lives easier eg helping people connect, accessing a range of services, making things convenient etc.
- Ideas that improve society or people's lives i.e. those that fulfil people's needs such as access to better housing, food, education, mental and well-being, friendships, security etc.
- Ideas that involve improving on or based on already existing businesses e.g. those that simplify old ways of doing things such as digital versions of existing physical businesses.

## Problem-Solution Approach

However, if you think that you've identified a problem and have come up with a brilliant solution that you think would turn into a viable business, you should then consider how you are going to achieve this. This would include thinking about key aspects of moving it from just an idea to a complete product, service or even both. This would involve looking at key aspects of starting a new business such as proof of concept, prototyping and testing, the right business model for your business and other aspects that come after that will be covered in this program.

### Defining the problem

For example, let's assume you've been hearing both in your local media and community that there's been an increase in the number of unlicensed and unreliable home service contractors preying on residents, particularly vulnerable people providing risky home services and reaping them off their money. The statistics of such incidents go up and no one is doing anything about. Your professional background is in computer science and technology. Then you suddenly have a 'lightbulb' moment and come up with a solution.

### The Solution

After defining the problem you now decide to create an online platform to help residents to connect with trustworthy and reliable home service contractors. You've come up with a brilliant way to help tackle the above problem by creating a network to connect residents in your neighbourhood with fully and carefully vetted home service contractors such as plumbers, builders, gardeners, decorators, cleaners etc. through a digital platform.

### Is your Problem-Solution a NEED or a WANT?

Once you have identified your problem that you are trying to solve and come up with a good solution i.e. a product, service or both to tackle it, you will also need to assess whether your solution is a '**need**' i.e. something that is required by someone or cannot live without or a '**want**' something that someone would like to have but not really essential.

**Your Task:** What business idea have you come up with? You will need to use the Problem-Solution Approach to determine whether your idea or problem you've identified applies to you, the people around you or a wider society.

### Idea vs Concept

An IDEA is simply an inspiration, spark or mental picture of a possible business opportunity that someone is considering where as a CONCEPT refers to the carefully thought out initial details or process of how the idea would be laid out or arranged.

Here is another scenario following on from an earlier example about a digital platform that connects home service contractors and residents.

**Business Idea:** A digital platform that connects carefully vetted home service contractors and residents.

**Business Concept:** You've now decided to start offering an online service that will connect carefully vetted contractors and residents. You've also discovered that there is

currently no such service or substitution in the area. You've carefully thought through your initial details about your business idea and you are now considering creating a digital platform that will bring together vetted home service contractors and residents looking for such services in one safe and secure environment.

Before you start your business or turn your idea, hobby or skills into a business you need to explore your idea as well as your concept further to assess its market potential. Therefore your next step would be to assess whether both reliable home service contractors and residents would welcome and use such a service, whether you are able to meet both customers and clients needs at the price customers want to pay as well as work out whether you can still turn that solution into a viable and profitable business.

### SECTION 3: ASSESSING YOUR IDEA

Is your idea worth pursuing or will it actually work in the real world? Is there a market for your product or service? In order to help you determine whether there's a market for your idea or solution to the problem, we've listed five simple and yet effective steps to you need to perform to assess whether your idea is worth pursuing further.

#### (a) Feasibility

To assess the feasibility of any business is simply carrying out a research on how viable your business idea is. Once you've identified the problem and come up with the solution to tackle it, taking into account whether it's something people need or want.

When it comes to business ideas, we all come up with many ideas that we think or assume will make great business ventures. However, some of them turn into viable businesses while a few others turn into nothing! Hence this is why the need for feasibility study, which is simply a sophisticated way of say 'checking the practicality' of your business idea. Doing a feasibility study helps you to do a screening test for your business idea before you create your new product or service.

**Your Task:** Is your business idea or solution good enough to be turned into a viable business.

#### (b) Sustainability (Profitable)

Does your business idea have the ability to make you money?

One of the most crucial elements of any business idea is its ability to generate money. Therefore it is very important that you ensure that your business idea will be sustainable enough in achieving a positive cash-flow. Without money your business is very likely to fail. Just in case you are thinking that since your business idea is based on a social enterprise or not-for profit organisation therefore does not need to have a model as they are not looking to make a profit. You are absolutely wrong! Even these organisations need to cash flow positive to help others as without money they will not last! Therefore a revenue model is the most crucial aspect of running a successful and sustainable business or venture.

To work out whether your business idea has the ability make you any money you will have to concentrate on assessing the main source revenue.

For an example let's assume you are starting an online subscription box business that specialises in providing and delivering monthly health food subscription boxes to subscribed customers straight to their homes. Your main revenue stream would be from monthly subscription fees. However, you may consider other possible revenue streams such as introducing other packages that you may up-sell or cross-sell, introduce an affiliate program or referral program and even one-off sales of the food boxes. Therefore in order for your business to be profitable or sustainable you may need to explore every possible revenue stream and options available within that model.

**Your Task:** Does your business idea have the ability to make you money? What is your main revenue stream? Have you identified any possible ways of making multiple revenue streams?

### (c) Scalability

Does your solution have the ability or opportunity to expand or grow its market or activities i.e. an increase in revenue or operations such as at national or global level. As a business owner or entrepreneur it is good to know when you are setting up your business whether you would like to grow your business at some point. That way you it will help you when choosing a business model as some business models can be limiting when it comes scalability.

For example, let's assume you are starting a small stationery business specialising in designing and making handmade greetings cards. You setup an online store on one of the e-commerce marketplaces. Within a short time you start receiving orders and your business starts doing well in terms of sales. As this was just a business that you set up as a hobby you had no further plans for expansion. You then suddenly have a huge demand for your uniquely handmade cards due to a feature in the national press about your products. As you are the only person designing and making these beautiful cards you are unable to take on extra orders therefore you miss out on all these orders and sales.

The above case and example is what normally happens to a lot of entrepreneurs out there. So as you are starting your business it is crucial to start right and choose a model that would allow for expansion or sudden growth. In this case your business could have put expansion plans in place such as hiring of additional staff, equipment and perhaps a larger place or studio to do all the design and printing.

**Your Task:** As you start your own business have you thought about any strategies or plans for scalability?

### (d) Determining Market Potential

Here you will need to assess whether you have already identified the market for your solution. Have you identified people interested in buying your products or using your services? Which industry or sector does your solution operate in? What trends and themes have you spotted in the market that would make your solution a success? Is there a shift or change in the economy, consumer habits or behaviour or is it other factors such as environmental, social, political, legal or technological?

Let's say you live in a community or area with an elderly population and looking to setup a sports and urban clothing business which caters for the youths. You may however, be

successful if you set up an outdoor clothing that specialises in a wider clothing range and population including the elderly people. Therefore your products that you intend to offer should meet the needs of your potential customers in that area.

**Your Task:** Have you identified the market for your product or service? Have you identified people interested in buying your products or using your services? List them here and also include the sector you will be operating in.

### (e) Researching your Competitors

Before you get carried away with your business idea it's very important that you check out who your competitors for your product or services will be and whether there's any. One thing that you should be aware of is that having competition can both be good and bad when it comes to starting a business. It's good to have a bit of competition because this in a way validates that there is already a ripe market for your product or service. On the other hand having a lot of competition may mean that the market is flooded and would be challenging to get a decent market share of your product or service.

While still on the topic of competition it is very important to know that competition does not refer to products and services that are the same as yours. These could include products/services that are in both direct and indirect markets. Research can be done through surveys, questionnaire, visiting competitors etc.

Let's say you are considering opening a fitness gym to help people in your area with their health and fitness problems and issues. If you did a bit of research to find out whether there's a market or competitor for this type of service you would discover that not everyone would be into fitness and exercise to stay healthy. Some people might prefer to keep healthy through food i.e. eating healthy food, participating in exercise regimen at home or daily walks, special diet and other activities. As you can see from this case your competition wouldn't just be another fitness gym in the area, it's also the whole range of fitness and health alternatives such as healthy food, fitness and exercise apps and conscious consumption businesses.

#### **How to research your competitors**

- Use search engines such as google to see whether there are any businesses offering similar products and services to yours.
- Use social media to determine what your competitors are doing and their strategies/
- Talk to potential customers to find out what are into and what they are looking for or prefer.
- Become your competitor's customer to determine where you can improve what they are offering, product or services.
- Attend events and networking.
- Conduct a survey to get customer and potential customer feedback.
- Read or analyse market reports and data.

**Your Task:** Have you done your research to find out whether there's any competition for your product or service? Have you also determined who your direct and indirect competitors are?

## SECTION 4: PROOF OF CONCEPT AND PROTOTYPING

Before you start developing your business, product or services further it's crucial for you to walk through the process of Proof of Concept and Prototyping in order to have a better understanding of the problems you have identified as well as the solutions you have come up with.

Just like any new business or startup it can be very challenging when it comes to building a prototype or coming up with a completed product before you even assess whether it's going to be successful or not. Many successful businesses usually spend a great amount of their time tweaking their products and services. Hence testing the product or services is critical!

## Proof of Concept

Proof of Concept (POC) refers to the theoretical or descriptive methods used to test the idea or concept. This involves describing the product or service's design, use and its relevant features. The proof of concept then leads to prototyping which is a more practical way of presenting a product.

Let's say an entrepreneur is considering starting a new business selling handmade soya wax candles that will come in various fragrances. In order for her to establish which flavours will make the business viable she will have to come up with a POC. Therefore she might consider to conduct a survey or questionnaire to send to potential customers asking them what their preferred candle scent is. She might also extend the research by asking further questions such as how much they would be willing to pay for such a product and also if they would sign up for further updates on the products and its launch.

## Prototyping and Testing your products and services

Prototyping refers to the physical methods used to turn the concept into an actual product or service. Prototyping includes such things as models, demos and product samples. It allows both innovators and users to try out or interact with the products before the completion of the design. It also involves talking to potential customers, getting their feedback and using the feedback to make any modifications to the products and services along the way.

Prototyping is very useful as it helps the product you are developing to reach out to your potential customers and get tried and tested in the real world, which is one way of assessing the interest and market for it and also assessing whether it fulfills customers' needs.

When it comes to prototyping an MVP is all you need as this consists of very minimal features, just enough to have a physical version of your idea or product. This could be for example your landing page or launch pad as they call it. Others include things such as demo, drawing, social media page, actual product or a small sample.

You maybe wondering how you go about testing your MVP or how you get other people involved in trying out your new product or service. Going back to the soya wax candle example and now after the entrepreneur has collected all the feedback she now moves on to prototyping and this involves producing the actual samples of the products and sending them to the same people who had taken part in the survey to try out the real samples. She will then hope to gather more feedback on the product to include design, feel, smell and

quality etc. It's at this point that she will need to assess whether they will be any modifications to be made or showcase the products to potential customers and even other potential suppliers and stockists.

**Your Task:** Looking at what we covered under proof of concept and prototyping your product, service or both, how do you plan to carry out yours?

## SECTION 5: BUSINESS IDEA DEVELOPMENT

This section has various parts that mainly focus on business idea development which will help you to develop your own business idea as you work through this section on your way to starting your own business. It includes some of the most common business models to help you understand how they help businesses generate money and also help you apply the relevant business model to your business. This section also includes the the most popular tool, the Business Model Canvas, a framework which consists of step-by-step elements to enable you to organise your idea in a more simplified one page plan.

### Business Model

Before you get started with this section we will briefly explain what a Business Model is. Simply put a business model is a description of how your business makes money. It's also an explanation of how you deliver value to your customers at an appropriate cost. It's a plan that is easily and quickly used to describe the operation of a business or in your case how you are planning to run your business.

One of the most critical elements of any sustainable business is achieving a positive cash-flow. Without that, even the best intentions will fail. As you may or may not be aware there are many types of business models and each one varies and is based on the type of business, company or organisation and their offerings.

### Business Model Examples

There are different types of business models for different types of businesses. Here we've listed some of the business models used by businesses include the following:

#### Retailer

This business model is where a business sells directly to the consumers or the public. This is after purchasing its good or services and selling at cost plus margin. Examples include both online and offline businesses such as supermarkets, high street stores, marketplaces etc.

#### Subscription

This business model is based on a model where a customer makes a recurring payment on a regular basis in order to access a product, services or both. It is used by many businesses such as online and digital products. This type of business model allows the business to retain its customers over a long period and also benefits from having recurring revenues from repeat purchases or payments. Examples of such businesses include subscription boxes, technology products particularly software as a service, gym memberships, digital TVs etc.

## Brick-and-mortar

This business model is based on a traditional business model involving face-to-face interaction between a business and its customers. It applies to a wide range of businesses including retailers, wholesalers, suppliers, manufacturers and service type businesses such health and beauty businesses.

## E-commerce

This business model is based on businesses selling their goods online as opposed to the traditional brick-and-mortar business. Electronic commerce or e-commerce as it is generally known operates in various ways including business to consumers (B2C), business to businesses (B2B) and consumer to business (C2B) just to mention a few.

## Advertisement

Advertising-based business model relies on selling advertisement spaces in their publications online, offline or both in order to generate their revenue. Advertising companies such as TV companies, magazines, newspapers and other forms of online and offline business directories look to commercial companies and businesses to sell their advertisement spaces. Some publications make money through offering sponsorship opportunities while online new trends like blogging models offer other forms of advertising such as features, content, paid posts and review opportunities to generate income.

## Bricks and Clicks

This business model also known as online and offline or omni-channel model has its operations both online and offline and enable customers to shop either online or in-store and their good may either be delivered to their homes or be collected from their local stores. Examples of such businesses include retailers such as high street stores, supermarkets and in some cases catalogue stores.

## Freemium

This business model based on a free and premium model where a business, mainly those who operates in digital or online services where they offer basic products or services for free and any additional features at a cost. Examples include such businesses as online accounting software Freshbooks, storage platforms like Dropbox, Skype, YouTube, MailChimp etc.

## Online Marketplace

Online marketplace is a digital platform and type of business model that enables other different businesses or sellers to sell their products and goods on its online platform. It also enables small and upcoming businesses and individuals to compete in the marketplace by providing them a platform to launch their own products and services. It generates its revenue from the sale (commission) of other businesses' goods and also may charge businesses for other services such as fulfilment or payment processing. Examples include businesses such as Amazon, Etsy, Ebay and Booking.com, Alibaba etc.

## On-Demand

This business model simply refers to the type of business that serves its consumers on

demand – just like the name suggests. This model is usually associated with digital business activities such as marketplaces and technology startups who provide such services to fill the market gaps and fulfil consumers' modern and demanding economy. looking for immediate access to goods and services. Such businesses models are popular in sectors such as travel, transportation, delivery, healthcare, personal and professional services. They include on-demand market leaders such as Uber, AirBnB, Deliveroo, Just Eats, Hello Fresh and Open Door just to mention a few.

## SAAS, PAAS, IAAS

SAAS (software as a service), PAAS (Platform as a service) and IAAS (Infrastructure as a service) are some of the many business models in the 'as a service' business model. They are all based on digital services offered by businesses either on a 'pay as you go' or as a 'subscription' service. They offer customers the convenience as well as the flexibility to purchase or pay for only the features or services they require. The 'as a service' is based on cloud computing, an on-demand computer system resource which is available to many users over the internet. SAAS include services as Salesforce, Dropbox, Google Workspace, MailChimp etc. PAAS include services such as Window Azure.

## Franchise

A franchise based business model is type of business that usually operated by either an individual or business (also known as a Franchisee) using a licenced system or permission from the founder or owner of the franchise (known as a Franchisor). This involves permission to have full use of the Franchisor's brand, trademarks, model, operating system while also benefiting from any training and additional support. Examples of such franchises include cleaning businesses, salons, restaurants, retailers, distributors, fast food chains etc.

## Manufacturer

A manufacturing based business model the business that utilises raw materials to create goods that are then sold either directly to the consumers or to through other distribution channels such as retailers, wholesalers and distributors. Examples include manufacturers of food, apparel, cosmetics etc.

## Agency

Agency-based model is for businesses that offer outsourced services to other businesses who in return pay a fee for using such as services. Agencies usually provide non-core business services but can at times provide critical services as well. Examples of agency-based businesses include PR, marketing, communications, healthcare services, domestic and commercial cleaning,

## Drop shipping

Drop shipping business model is the type of business usually e-commerce where the business (seller) does not own any goods or inventory that they sell on their online or retail store. They however accept customer orders for goods on behalf of the partner who sells them. All the seller does is to receive the customers orders on the partner's behalf and pass them on to the partner who then processes the orders and delivers them to the customers.

## Network Marketing

This business model is also referred to as 'multi-level marketing' and involves person-to-person sales usually by independent representatives who operate their businesses either from home or through their customers who they refer to as hosts. Most network marketing 'reps' as they are known generate money or their income by building or growing their own network of partners or sales reps to assist with sales and further recruitments. Hence these business model are commonly referred to as 'pyramid schemes' as their business format is structured in a shape of a pyramid. Their income is on a commission basis from both the sale of goods and recruitment of representatives. The network marketing model is based on direct selling as it does not involve retail selling or owning any stores. Network marketing can be found in sectors such as health and beauty, home and professional services. Examples include Avon, Amway, Herbal Life, Mary Kay, Juice Plus just to mention a few.

## Aggregator

Aggregator business is a model where a business (an aggregator company) in a digital marketplace compiles or brings together various product or service providers together under one platform to sell their products and services under its own brand. The aggregator company generates money from the commissions on the sale of the products and services. This business model is popular in sectors such as leisure and hospitality, energy, transportation and many other service-based sectors.

## Affiliate Marketing

Affiliate marketing business model involves an individual or business who sign up with another company or network's affiliate program to sell or promote their products and services either online or offline to their customers or audience. In return you get paid an agreed commission on every sale or referral that is generated or comes from you. Major companies that offer affiliate marketing programs include Amazon and Shopify.

## Peer to Peer

The Peer-to-peer or (P2P) as it commonly known is a business model mainly in the digital market environment where individuals buy and sell good and services directly to one another on one platform that provides this particular service. Transactions are usually handled by a third-party company that processed the payments, returns and refunds. Such P2P companies include AirBnB, Craigslist as well as some lending platforms such as Zopa, Match.com etc.

## Auction-Based

In an auction-based model, a business will provide an online platform or offline site where sellers will offer products or services in an auction and buyers would then bid on the goods they would like to purchase within a specific time period. At the end of the action the person (bidder) with the highest bid wins the item that's being auctioned and pay for it straight away. Auction sites or businesses usually make their money by charging a commission or taking a percentage of the sold products. Some auction sites charge a listing or auction fee. Examples of auction sites include eBay, Etsy and eBid which are market leaders in auction sites. There also other also other auction sites such as those in real estate, antiques, collectables etc.

In some cases, 'Reverse-Auction-Based' model is an auction site or business where the roles between the buyers and sellers are reversed. This means that sellers are the ones that bid for and buy items in auction such as bidding for contracts and tenders from government or companies.

## Razor and Blade

Razor and Blade business mode is where one item is either sold at a lower price or offered for free to the customers with the aim of increasing sales on complementary goods. This model is common in businesses that offer products that come with consumables or add-ons such as razors and blades (hence the name). Other products include consumable supplies such as ink and toner cartridges for printers, games for game consoles, coffee and tea pods or satchels for coffee machines.

## One for One

The One for One business mode also popularly known as 'Buy One Give One' is a social enterprise business model that was developed by Blake Mycoskie, the founder of TOMS Shoes. TOMS Shoes model is based on creating products while giving back to the world, meaning for every pair of shoes sold the company gives one to kids in developing countries. The company makes money through the sale of shoes and other products and markets its company through word of mouth and social campaigns.

There are other companies that have used this model in their own different or alternative ways. Such companies include SoapBox which sells Bar soap, hand soap, body wash, and hair care products and for each product sold they donate soap to developing countries. Another popular one is Warby Parker who sell eyeglasses and sunglasses and for each pair sold they give a pair.

**Your Task:** In order to understand and develop your business idea even further you will need to identify which business model best suits your business idea and why

## BUSINESS MODEL CANVAS

*(diagram, BMC)*

A Business Model Canvas is a simple and easy to follow tool used to quickly and easily explain and communicate a business idea or concept. It is a flat plan or a one page document which walks you through the key elements of a business to help you structure your idea or concept in a more coherent way.

Therefore you will need to use this framework to develop the business model for your idea or concept. For this you will need to work through each step or elements of the business model canvas or process in order identify your strengths as well as your flaws in your chosen business model. A business Model Canvas is also used to identify some of the major aspects of running a successful business which include: identifying key partners or suppliers; key activities of the business; value proposition; customer relationships; customer segment; key resources; distribution channel, cost structure and identifying revenue streams or sources of revenue.

To simplify this process for you we've provided a Business Model Canvas (together with flashcards) that you can use to help you develop or walk through your business idea. But

before you get started it's better for you to read carefully each of the nine steps or elements of the canvas

## Business Model Canvas Explained with Examples

Now let's take this Business Model Canvas piece by piece, step-by-step and work through what each element and explain the purpose of each step. Also remember to use the canvas provided but before you get into details I would advise you to make notes before coming up with your final work.

*(diagram – BMC piece)*

### Step 1: Key Partners

What non-key activities does your business need to outsource in order for your business to operate? How will these partners and suppliers fit into your business?

In order for any business to successfully plan and implement other aspects of the business model canvas such as Key Activities, Value Proposition and Customer Segment the implementation of partnerships must be in place. It is therefore crucial that you choose these partnerships carefully and also assess what value they create or add to your business. You must also ensure that all partnership arrangements are done in a more transparent and binding manner to avoid pitfalls and conflict along the way.

Many partnerships exist between businesses due to the following: to gain market share; reduce costs, risks and competition; and also to benefit from one another. Some examples of partnerships include co-ventures, joint partnerships, suppliers and buyers, co-creation, manufacturers and distributors. Therefore as a business you will need to identify non-key activities or aspects that are vital to your business that you cannot perform yourself. This could be because you would rather focus on the key activities of your business than directing your resources to such activities. The list could include suppliers, partners, freelancers, technology providers just to mention a few.

*Let's say you are starting a cleaning business that will provide domestic cleaning services to homes in your home town and surrounding areas. In order for your business to operate successfully you may need to find suppliers of cleaning products and equipment. Hence you will need to find a wholesaler or supplier of cleaning products who sell these products in bulk and at a wholesale price. Therefore a buyer-supplier partnership would be an ideal solution. Other possible partnerships would be with estate agents and housing associations (strategic partnership) looking to partner with a cleaning business so that they can offer their clients cleaning services eg end of tenancy or those selling properties as value addition.*

**Your Task:** Now write down in your canvas your current partners and make a separate list for potential partnerships to be explored.

### Step 2: Key Activities

What unique Key Activities does your business do to make its business model work? Does your business activities involve producing a product or service, or a mix of both?

As you will learn once you've been through all the rest of the elements of the business model canvas, your business as well as the business model you choose requires a various number of Key Activities in order make it operate successfully. As Key Activities are vital in fulfilling any business' operational purposes they therefore play a very crucial role in each and every element of the business model canvas. This means that Key Activities are crucial in accomplishing Value Proposition; in acquiring, maintaining and growing Customer Relationships; identifying Customer Segments; Distribution Channels to reach its customers segments; and creating Revenue Streams.

*Let's say you have a clothing boutique business that specialises in ladies clothing and accessories, you will need to have a supplier or wholesaler to order clothes or buy from; stock them and sell them in your store or online; and find a way of delivering them to your customers. As part of making this business successful, you may also need to implement customer relationships to acquire, maintain and grow your customer base; and provide customers with various range of clothing and promotional activities to boost sales revenue.*

**Your Task:** Looking at your business model and type of business (whether product or service or a mix of both) what are your Key Activities?

### Step 3: Value Proposition

What value are you going to deliver to the customer? Which customer problems are you solving? Why will they buy from you?

Before you get started with this step of the business canvas it's best to give you a simpler way of explaining what Value Proposition is. Simply put Value Proposition is just another way of saying 'why a customer would choose your product or service over that of your competitor'.

Just as mentioned earlier before you come up with any idea you have to carefully assess the problem that you have identified as well as the solution that you've come up with before you consider starting your own business. And since you've already identified a problem and have come up with a great solution that you think would turn into a viable business, you now need to think about the value you are going to deliver to your customer and why you think they would buy from you.

Here you will need to also carefully think about your solution that you've created or come up with to tackle that problem. The other crucial aspect to consider is whether your solution is a **'need'** i.e. something that is required by someone or cannot live without or **'want'** something you that someone would like to have but not really necessary.

*Let's say you are thinking of starting an online food delivery business offering a delivery service for local restaurants and takeaways who wish to offer home delivery to their customers. Your platform offers an easy, user friendly and quick way for people to order, pay and have their food delivered without leaving their homes.*

*You must ensure that you put in place a simple value proposition statement that summarises why your customer would choose your product or service.*

*Therefore your value proposition statement should include such things as how your business or service simplifies and makes it possible for customers to order and pay for*

*their food home delivery from various local restaurants and takeaways within a few minutes and all under one platform using their mobile phones and digital devices. You may also mention about the efficiency your delivery drivers are and any extra offerings you have in place that are exclusive to your business.*

*While there might be other businesses offering the same services in your area it's vital to also mention how your services differ from them such as customer experience, pricing and any customer schemes you have in place eg loyalty and referrals schemes.*

**Your Task:** Here you will need to write your value proposition statement explaining which customer problems you are solving. Why a customer would choose your product or service over that of your competitor and why will they buy from you?

## Step 4: Customer Relationships

How do you acquire, keep and grow your customers? What type of relationship do you with your customers? How do you establish them?

This element is all about understanding your customer and your relationships with them including how you go about finding them, maintaining them and growing your customer base. It's your responsibility as a business owner to decide what type of relationships you want with your customers, what methods you are going to use to find them and how you keep them. In order to acquire customers you will need to identify their problem as well as find a solution that solve that problem. You then ensure that you keep your existing customers while at the same time growing your customer base. This can be achieved through various ways: dedicated customer service; personal assistance; self-service; communities; and co-creation.

**Dedicated customer service** refers to a more tailored relationship. It may involve offering a dedicated personal service whereby a customer is dealing with the same person each time to keep the service consistent. Let's say you have an estate agency business and have a team of agents who help with the running of the business. You also have a number of clients and this includes people selling houses and those looking to let their properties. You also have potential buyers and those looking to rent. In order for the agency to acquire, keep and grow its client base you may decide to implement a dedicated customer service and offer a more tailored customer relationship for each and every client. This would mean assigning an agent to deal with a certain number of clients to consistent.

**Self-service** refers to non direct human interactions between a customer and business, it does create great customer experience and self-sufficiency. Let's say you have an e-commerce store, the only interaction between you and your customer during the purchasing process would be through an online automated checkout process. Hence when you decide to implement this type of customer relationship in your business you must ensure that it user friendly and also meets most of your customers' needs.

**Personal assistance** refers to the relationship that you establish through human communication which may involve interacting with your customers face-to-face, via phone, email, or any other means of communication. This type of interaction usually happens on site let's say you own a physical store that sells products such as mobile phone and other technology accessories to consumers, personal assistance would be implemented at the point of sale, call centre, by email, or other means that involve human interaction.

**Co-creation** is another type of customer relationship in which the business allows or gives its customers an opportunity to get involved in the creation of its product or services. This way businesses benefit from creating products that will instantly be successful as they were also designed by their customers. For example, some businesses ask their customers to help them design new products or services. This benefits the business by enabling them to provide an improved product or service and it also benefits the client by designing it around their needs.

**Community relationships** encourage community connections and engagement between businesses and their customers. These communities are usually set up online where customers interact with each other, solving each other problem relating to the products which in turn helps the businesses to get feedback on products and understand their customers better.

So whatever type or types of customer relationships you design to integrate into your business, you should ensure that it's planned and implemented effectively but most importantly with your customers in mind. You should also ensure that you've also factored in the cost involved in the implementation.

**Your Task:** Looking at your business idea and model that you've chosen, how do you plan to acquire, keep and grow your customers? What type of relationships you plan to establish with your customers? How do you establish them?

## Step 5: Customer Segment

Who are your customers? What products and services are you offering them? Who are you creating value for?

This step looks at who your typical or potential customers or the people you are trying to reach out to with your product or services meaning who are you trying to create this value for. Before you even go ahead and start creating your product or service you really need to understand who your ideal customer would be, what you plan to offer and what value you are creating for them as well as what problem you are trying to solve for them.

In order to fully work this step out you will need to come up with a combination of factors to identify who your customers are such as the use of demographic, geographic as well as psychographic segmentation .

Demographic factors include dividing your market into segments based on things like ethnicity, age, gender, income, religion, family makeup, and education. Geographic factors involves grouping potential customers by country, state, region, city or even neighbourhood. Psychographic factors include grouping potential customers by their shared personality traits, beliefs, values, attitudes, interests, and lifestyles etc.

To simply the process of identifying your customer segment using the above data you will need to create your 'customer's persona' which simply means a fictional model or example that represents the key traits of a large segment of your audience.

*Let's say you are starting a property letting agency business specialising in student letting services. Your target customer would be a student, aged between 18 and 21, both male and female, all ethnicities, all religions, particularly the ones looking to move into their own*

*student accommodation; a student who is moving to another area where their university or college is situated; and an international student looking for accommodation near where their university is. And because your target customer is a student with limited budget, live alone and are only looking for temporary accommodation, you will only need to look or list the type of accommodation that fits in with their requirements or needs. Therefore even if there are beautiful and expensive properties on the market you will not list them on your portfolio as they will not meet your customer segment's needs. A student will only be interested in a small properties or shared accommodation as they know they are only there for a short period of time and on a limited budget. Therefore a small studio apartment that is already furnished may appeal to them or a room in a furnished shared house could be ideal. The nearer to school even better as most of them do not even own cars.*

The example above therefore demonstrate why it is even more important to identify, understand and create a 'customer persona' using the data collected from the demographic, geographic as well as psychographic segmentation.

**Your Task:** Using the demographic, geographic as well as psychographic segmentation factors create or right down your persona or personas for your target customer.

## Step 7: Channel Distribution

How does your product or service get to your customers? Which channels are to be used to reach your customer segments?

The Channel Distribution refers to the aspect of the business canvas that enables you identify and assess the best suitable channel to integrate into your business model. It helps you find the most suitable channel to use in order to reach your customer segments. Distribution Channels simply helps you move your products and services from you to your customer or intended market.

There are various Distribution Channels on how the business reaches its customers and these can either be physical or virtual channels. Distribution Channels can also be your own or through third parties. Physical channels include stores, warehouses, factories, offices etc. Virtual channels include online platforms such as e-commerce, stores, websites, social media channels etc. These Distribution Channels can either be used on their own or can be used in combination with others in order to be more effective and for the business to be able to reach out to a wider customer base.

*Let's say you are starting an apparel business that caters for the youth and have opened a store in a shopping complex in your city. In this case your products will reach your customers through your store which is your Distribution Channel. To cater for even a wider youth market you decide to offer an online service and set up an online store. This has now become another form of Distribution Channel for your products to reach your customer segment. In this case you will also need integrate a third party Distribution Channel which would include a courier company to pick up your products and deliver them to your customers. Other channels that can be integrated are social media pages to drive even more traffic to the website.*

*As a result of using this mix of integrated channels your business not only caters to youths in your city but to wider market even globally! Also through the use of third-party channels*

*your business is able to reach out to more people and increase sales without owning all channels.*

**Your Task:** Now it's your turn to list down your possible most effective Distribution Channels. These can either be physical or virtual; yours or through third parties; as well as single or multi channels.

## Step 6: Key Resources

The next step of the Canvas that we will look at is the Key Resources. What Key Resources does your business have or need?

Before we start looking at this step, Let's start by explaining what we mean by this. Key Resources simply refer to the most crucial internal resources (also referred to as assets) that your business has or require in order to operate. The main Key Resources can be categorised as human resources, physical resources, financial resources and intellectual resources. To work out what resources might be needed refer to the Key Activities step of this canvas.

Human resource refers to such things as employees and their skills, knowledge and experience that they possess. Physical resources include buildings, equipment, plant, licences, vehicles, patent, land etc. Financial resources include debtors, cash etc and intellectual resources include copyright, patents, brands etc.

*Let's say you are opening an on-demand clothing printing business and you will be specialising printing t-shirts for men and women. In order for you business to operate sustainably you will need the following resources: building or shopfront for walk-in customers to order their t shirts on demand; printing equipment to produce t-shirts; skilled staff to design and print t shirts as well as help with the sales; t-shirts since it's the main product being sold; and packaging for all the products.*

*Other resources to consider include branding, trademarks, cash or credit for cash-flow purposes and licence for the business.*

**Your Task:** Now that we've covered the Key Resources and you understand what they are and how crucial they are in order for your business to be operational take some time to list down Key Resources that are crucial to you business.

## Step 8: Cost Structure

What are the most important costs that your business incur? Which key resources and activities are most expensive?

This element focuses on the costs, expenses and activities involved or required to operate your business. Your business can either be cost-driven meaning you aim to minimise all costs, or it could be value-driven meaning you aim to deliver excellent customer value e.g. through quality.

The easiest way to work out the vital costs of your business is to focus on the internal aspects of the canvas which in this case are elements such as Key Partners, Key Activities and Key Resources. As a business owner you need to identify the most costly aspect of

your business. You will also need to identify which costs are fixed meaning they remain the same regardless of production output such as lease and rental payments, insurance, and interest payments. There's also variable costs referring to costs which vary based on the amount of output produced. These may include labour, commissions, and raw materials.

Therefore as you tackle this element think about those costs that your business will incur i.e. fixed costs such as rentals, utilities and wages that you need to pay regularly whether you make any sales or not and variable costs such as your business expenses which rely on how much is produced. There are also other costs that your business will incur that are not directly linked such as company formation or business registration. Others costs are such things as taxes and other forms of registration. Your accountant will be able to go through all these aspects with you.

*Let's say you run a florist business and now have added a local flower delivery service to cater for customers who are not able to come to your store or looking for an online flower services. As part of your cost structure you would add fixed costs such vehicle leasing and insurance, wages for your driver to deliver flowers to customers and variable costs would include items such as fuel, flowers and packaging.*

**Your Task:** As part of your Cost Structure can you now make a list of the most important items that your business will incur, grouping them into fixed costs and variables.

*(Please Note that detailed costs of all your business resources and expenses are NOT included in this element. This element is just a quick assessment of the vital costs of your business and becomes handy when doing your final calculations at a later stage or when creating a business plan).*

## Step 9: Revenue Structure

What are the customers willing to pay and for what value? How would they prefer to pay? How are they currently paying?

Most businesses use a combination of revenue streams to earn money and each stream adds up to the total revenue. The last element of the canvas is Revenue Structure which looks at how the business or how the chosen business model is going to generate money. Earlier on I discussed and looked at various business models and briefly explained about how each generates money. This included revenue streams such as subscription fees, commission-based, licencing, profit on sales, advertising, agency fees etc.

Therefore in order to for you complete this task you will have to look at the business model that you've chosen in order to sell your products or services. Let's say you are starting an online business which is a recruitment agency to connect engineers with companies organisations looking to recruit engineers. You decide to follow the agency-based business model. Therefore revenue streams will include a commission structure which is a percentage earned for placing staff with a client. Another revenue stream would be an introducer fee where you charge employers a one-off fee for introducing an engineer to an employer.

**Your task:** Using the last element of the business model canvas, can you now list all the possible revenue streams that you think will apply to your chosen business model and give a brief explanation as to how that will generate money for you.

## SECTION 6: NAMING YOUR BUSINESS

Just before you continue with this section...

Earlier on this program we provided relevant information which were covered in sections - from ideation, concept to proof of concept to prototyping. We also featured business development where we talked about business models and business model canvas elements. This program also included a section on proof of concept and photocopying.

In the following sections we are going to cover information on the following:

- Naming your business
- Branding - including brand name, logo, business stationery, marketing materials and slogan that help to identify your business.
- Registering your business

For existing businesses

**Are you an existing business?** If you are an existing business who signed up to our program to launch a new product or service or simply to learn more about entrepreneurship and developing a business then some of the following sections may not be applicable to you. On the other hand they may be relevant to help you shape your business structure.

Therefore we encourage you to keep reading and working through it as it may help you realise or see some of the aspects of your business that you may have overlooked or didn't consider at the time.

### Naming Your Business

What's in a name? Why your business name is important.

Just like human beings any business needs an identity and what you decide to call it will play a major part in making sure that it stands out from your competition and that it can be easily be remembered and recognised! The most important part of all is that it can easily be associated with what you it does or what you offer customers.

As a business owner you are free to come with any name that you want as long as it's within reason and it's legally right. But before you head off to call your business whatever name you want there are a few factors that you need to consider such as follows:

- You must ensure that you have researched the name properly and that it's free or still available to use. For example you decide to name your new business that offer custom blinds installations to domestic homes 'Sam's Custom Blinds' and later on you find that another business has got the same name, registered their business and also have a domain and website registered. Some businesses will even have their business names trademarked. This will cost you time and money, even risk being sued for copyright infringement. Therefore you must ensure that you have done a thorough check before you settle on a business name.
- When deciding upon a business name to use ensure that your chosen name gives a clue or an idea of what your business does. Let's say you are starting a business

providing tutoring services to children in your area, a business like 'ABC Tutors' would be far more appealing than if you named your business 'School Plus'.

- Once you come up with your own unique business name it would be advisable for you to have it officially registered or even trademarked. We will provide useful links at the end of the program where you can find all this information.

**Your Task:** What name have you come up with for your business, product or service? How did you come up with such a name? Did you do any research or background checks on your business name?

## Branding

Every business needs a Brand! Branding is one of the vital ingredient of any business – be it a start-up, SME, corporate or an organisation. This is why it is important to have an effective brand strategy that provides a competitive edge to your business and makes you stand out from your competitor and other businesses. Not only does branding separates you from the competitors it also helps your prospective customers to know your business, name, your story and products and services that you offer.

### So what is Branding?

Branding is simply a way of identifying your business, meaning how your customers recognise and experience your business, product, service or all these. Branding includes business logo, website, business stationery as well as your marketing materials. Your business logo should reflect your branding and your slogan – the message you are trying to put across to your customers.

The word “brand” refers to the mark or label related to your products or services for people to identify them. It also serves as your business identity or to prove ownership.

Let's say you start a business selling ladies handbags, that wouldn't necessarily be your brand. It simply means your products are handbags. Whereby if you sold your very own handbags, exclusive to you or through other stockists that would be your own brand. Another example of your own brand would be providing professional services such as accounting and bookkeeping under your own brand rather than working with or for someone else.

**Your Task:** Looking at your business what branding options have you considered would apply to your business and why? Do you have or considering of having a business logo, website, business stationery and marketing materials? Have you created a product or services that is exclusive to you?

## SECTION 7: REGISTERING YOUR BUSINESS

### Which business structure should you choose for your new business?

One of the major decisions you'll need to make before you fully start your business is to determine the right legal structure for your venture. The question is how do you decide which business legal structure is right for your venture?

By registering your business you are protecting yourself and your business from various serious penalties if anything goes wrong. It also provides you and your business some form of legal identity and prevents you from a number of risks in the future.

Therefore before you start running your business or selling your products and services you should consider which business structure you feel is right for your type of business or situation. We encourage you to seek professional legal guidance or advice before you make this decision of choosing a legal structure for your new business.

There are various types of business structures to choose from and each comes with its own advantages and disadvantages. How and which structure you choose also depends on your situation, your long-term goals, and your preferences.

## 4 Types of legal structures for businesses in the UK

There are 4 main types of business structures in the UK and each has various tax and liability implications for owners and shareholders:

1. Sole trader
2. Partnership
3. Limited company
4. Limited liability partnership

Let's briefly look at each one of them below to give you an idea on how they are structured:

### **Sole Trader**

A sole trader is simply an individual or self-employed person who owns and runs their own business. Therefore a sole trader business doesn't have any legal identity separate to its owner hence as a sole trader you are the business. According to Gov.uk it states that if you're a sole trader, you run your own business as an individual and are self-employed. You can keep all your business' profits after you've paid tax on them.

Sole trader business structure maybe suitable for an individual or a self-employed person with a low-risk small business or a small business run by an individual. Setup can be quite easy and straightforward as all you need to do is to register as a sole trader with HMRC.

As a sole trader you are liable to pay tax and national insurance by filling out a Self Assessment Tax Return. There is no maximum amount you can earn, but it can become less tax efficient in the higher tax brackets. You can keep all your business' profits after you've paid tax, but you'll have to manage your own taxes every year and submit a VAT return if your turnover exceeds £85,000.

You are also responsible for all liabilities and this includes all personal assets as well as those jointly-owned with another person.

Although you can see from the above that we referred to self-employed and sole trader as one and the same thing, there is however, a slight difference between them. A 'sole trader' describes your business structure where as being 'self-employed' means that you are not employed by somebody else or that you pay tax through PAYE.

To register as sole trader all you have to do is notify the HMRC.

## **Partnership**

A sole trader or proprietorship can also be suitable for individuals or partners who want to form a partnership. A Partnership involves two or more individuals that agree to share in the profits or losses of the business. This means that they agree to share the risks, costs, benefits and responsibilities of running an organisation. They are also known as unincorporated entities as they are self-employed and are therefore responsible for the losses or debts that the business undertakes. This also makes each partner responsible or liable for other partner's negligence or misconduct and the profits or losses from a partnership will be shared between the partners. Each partner pays tax on their share of the profits.

In a partnership, you register with HMRC, however you are also required to choose a nominated partner for the business.

## **Limited Liability Partnership (LLP)**

An LLP is similar to a partnership except that the partner's liability is limited to the amount of money they invest in the business. The LLP must be registered at Companies House and with HMRC. Annual accounts also have to be prepared and filed.

An LLP can be incorporated with 2 or more members and a member can be an individual or a company. Members responsibilities and share of the profits are set out in an LLP agreement and all members must submit a personal Self Assessment Tax Return every year, pay income tax on their share of the partnership's profits and pay National Insurance to HMRC.

## **Limited Company**

A limited company is a privately managed business, owned by its shareholders and run by its directors. The company is a separate legal entity with its own legal rights and obligations. This means the company is responsible for everything it does and its finances are separate to the personal affairs of its owner(s).

Any profits generated are retained by the company, after it pays Corporation Tax. Only then can the profits be distributed to shareholders in the form of dividends. Limited companies can be limited either by shares or by guarantee which as explained below, plus they have annual reporting and filing requirements with both Companies House and HMRC.

### **1. Limited by shares**

Most limited companies are limited by shares which means the shareholders responsibilities for the company's financial liabilities are limited to the amount that the shareholder has agreed to pay for the shares.

### **2. Private company limited by guarantee**

A company limited by guarantee does not usually have share capital or shareholders, but instead has members who act as guarantors.

## **Incorporation**

For both the sole trader and the partnership you don't need to go through any formal processes to set the business up. Both of these don't require the formation of a separate entity. However, you will need to register with HMRC and comply with the associated rules. The formation of a separate entity required for a Limited Liability Partnership and a Limited Company is a more complex process. You will firstly need to register the company at Companies House and draft the company's Memorandum and Articles of Association.

## **Things you need to incorporate**

The additional information you will need to register as a limited company includes:

- Your company name
- Registered office
- At least one named director of your business
- Details of shares, and at least one shareholder
- Your Standard Industrial Classification (SIC) code, which determines the nature of your business (details can be found on Companies House website).

## **Important**

All shareholders, even if there is just one, need to agree and sign a memorandum and articles of association, which states your agreement to run a business and sets out rules for how the company is run. The final step is to register for corporation tax within three months of starting to do business.

If you are also a shareholder in your company, you can choose to pay yourself a smaller salary but pay dividends from company profit. As dividends are taxed differently to salary, you may pay less tax overall.

The second major benefit of a limited company are if any significant debt is incurred, or large claims made against your company, your personal assets are safe.

## **DO you NEED an ACCOUNTANT to incorporate?**

Whilst it's possible to incorporate a company for a small fee without professional help, someone without an in depth knowledge of financial/business matters may have problems completing the forms and documents accurately.

Financial advice before starting up can provide invaluable insight as to which of the different business structures might best suit your ambitions and personal financial requirements. If you incorporate without making use of this knowledge then you could find yourself running into all sorts of issues further down the line.

There's more detailed information under 'Accounting and Book-keeping' section for your business later on.

*(Please refer to our resource hub for information on business and company formation).*

## Opening your Business Bank Account

It's important, right from the beginning, that you have a separate bank account for your new business venture. Otherwise you run the risk of getting into all sorts of confusions, particularly if you try and mix all your finances into your own personal account.

Whether you are operating your business as a sole trader, partnership or limited company you should consider opening your business account as soon as possible. You should therefore make this one of your top priorities. Besides some of your customers or clients (particularly B2B may prefer to pay you by either cheque or bank transfer into your business bank account.

### **How to get started with business bank account opening**

In order to open your business bank account you will need to have the following in place:

- Depending on your business structure your business should be in your name, trading as the name of your business.
- If it's a limited company it would be in your company name followed by the words 'Ltd' or 'Limited'
- Some banks would ask for a business plan

Your first point of call will be the bank where you have your own personal bank account. If you use the same bank that your personal account is with then opening your new business account should be very straight forward – unless you bank with a strict bank who requires new or existing businesses to have a solid business plan in place. Nowadays there are a few online banks that cater for small businesses and you are bound to find some that are suitable for your business banking needs.

Most of the banks (online or highstreet) do offer free banking at least for the first year to any business opening a business account with them. One thing you will have to watch out for are the fees and charges that come thereafter.

Other thing to bare in mind is that if decide to go open your business account with the bank that doesn't have an existing relationship with you in any way then they'll consider you but you will have to go through a thorough and rigorous process of identification and other relevant checks which banks are required to do under money laundering and terrorist laws.

*(Please refer to our resource hub for information on business banking and account opening).*

## Accounting and Book-keeping

For anyone setting up a new business venture there are tax implications and legal requirements that you need to fulfil. A qualified accountant can help keep you up to date with all your accounting or book-keeping needs - particularly with the HMRC.

### **Book-keeping Vs Accounting**

**Bookkeeping** is a transactional and administrative role that handles the day-to-day task of recording financial transactions, including purchases, receipts, sales, and payments.

**Accounting** is more subjective, providing business owners with financial insights based on information taken from their bookkeeping data

### **What to look for and what to pay**

Your needs from an accountant, at least initially, will be very straightforward, particularly if you utilise the online accounting and book-keeping software to take care of all your own book-keeping. These include Xero, SAGE, Quickbooks, FreeAgents, FreshBooks, KashFlow. These range in price starting as low as £8 per month for self-employed.

*(For more information on these online bookkeeping and accounting please refer to our resource hub).*

Should you decide to use the services of a bookkeeper or an accountant, you need look for someone that you are comfortable with. Someone that you can talk to and who will be on hand to give you advice and help whenever you need it. Make sure that they are used to dealing with individuals, small businesses and new businesses in general and that they will handle all HMRC paperwork and requirements on your behalf.

Accountants are no different to any other service and there are plenty of them around to ensure that you find someone who is just right for you. A good place to start looking is to ask friends for advice. You are almost certain to know at least a handful of people that have an accountant and a recommendation is often much better than meeting someone cold.

One final criteria that is very valuable is whether they will be someone willing to meet you or call you to spend an hour or so with you getting your book-keeping or accounting system set up properly. It's in their interests as well as yours that you get off on the right foot with your book-keeping and accounting software and a good accountant will give you some free help at the outset.

### **HMRC requirements**

There are several implications of starting your own business and one of which is to tell the HMRC what you are doing. This is a legal requirement. You need to get proper advice from an accountant so that you can make sure you stay on the right side of the law.

### **VAT and why it may not apply to every business**

VAT does not apply to all business and it may not probably apply to your business too. Let's if your turnover is not likely to reach the current VAT threshold of £85,000 per year, then you must register for VAT. Unless you are hugely successful or predict that you are going to be successful. Not being VAT registered means that you won't charge any VAT to your customers which is often a good selling point, especially with smaller business who themselves are not VAT registered. It makes you more affordable to them than big companies or organisations or those registered for VAT.

VAT is a very important part of business and cannot be ignored. It can be very confusing

and you should get expert help from your accountant. You should also be aware that the VAT threshold and rates may change from time to time.

*(Please refer to our resource hub for information on book-keeping and accounting).*

## SECTION 8: FINANCING YOUR BUSINESS

As we are nearly coming to the end of this program and have covered almost all the aspects of starting your own business, from idea stage to business development all the way to banking and accounting, you might now be wondering or looking for ideas of where to get capital from to take your business venture to the next level. You may or may not have made your own initial investment in the business and started running it as your side hustle and now thinking about taking it to the next level.

### **Is it time to seek capital for your business?**

As you may or may not be aware there are various ways of raising capital for your business. There also alternative funding options which are suitable for specific business finance needs. Within this section we cover different types of finance corresponding to different stages of business development. We also examine how some business start-ups with high growth potential may benefit from certain types of funding to develop a product before moving onto funding from business angels, venture capitalists or banks once the product is developed.

Some forms of financing may not be appropriate for your business. This section will cover how to identify when that may be the case, and where to turn for alternative sources of funding.

### **1. Revenue or Bootstrapping**

One of the most common ways of starting your business is definitely what we call 'bootstrapping your startup' meaning starting or growing your business with little or no money of your own. This also means no debt finance, venture capital or any outside investment. It means relying on your own money, savings and revenue to start and operate your business. Although this may not be the easiest way to start a business, it is however, achievable and can be extremely rewarding and empowering when done right!

Many entrepreneurs and SMEs however, start their businesses with little money as they find it challenging to convince most lenders to offer them debt finance or investors to invest in their early stage businesses.

It's also important to stress that not every business require capital or a lot of finance to start. Let's say you are starting a marketing consulting business after many years of working as a marketing consultant for a well-known firm. You now decide that it's time you left the labour market and set up your own consulting service. Based on your previous skills, experience and expertise, your business is likely to take off well without the need of finding outside sources of finance. In this case you are simply making use of your existing skills and turning them into a business.

### **2. Friends And Family**

As you may or may have heard it before, this is more often suggested than done when people are starting their very own business for the first time! And many aspiring entrepreneurs and small businesses do find this type of conversation very challenging. Even though many financial, business experts and advisors suggest that family and friends should be your initial source of capital for your new business, it's usually easier said than done. Unless you have a very wealth network of friends and family who are willing to support your new business at the most critical stage then this form of finance is usually the most challenging one.

One the other hand if you happen to have a network of family and friends who are able to support and help finance your new business venture, this would be an ideal source of affordable business finance.

### **3. Consumer Crowdfunding**

Consumer crowdfunding is a form of funding in which the entrepreneur or business involves consumer to finance the production of a product or service that is either still at the planning or early stage, through an online platform. This type of raising finance may involve a reward-based where the consumers are offered rewards for helping to fund the product or service. Consumer crowdfunding is not necessarily based on profit-related purpose.

There are a few consumer crowdfunding platform such as Kickstarter, Crowdfunder, Fundable, Indiegogo just to name a few.

Let's say you starting a new monthly subscription box business offering personal care and beauty products to your prospective customer segment. One way you can use consumer crowdfunding is to start a fundraising campaign on one of the crowdfunding platforms where you can set a goal of raising a certain amount of capital to fund the production and design stage of the business. Consumers will then subscribe to your personal care and beauty product boxes and pre-order their boxes, particularly their first box before the products are even completed. This way you will not only have new orders and revenue, but you will also have ready consumers waiting to buy your products.

Consumer crowdfunding usually work well with product-based businesses although nowadays it has been successful with non physical products as in the case of health and fitness subscription models.

One thing to consider when choosing this method of raising capital is that it not as simple and straightforward as it sounds! In order for your fundraising campaign to be successful you will need to dedicate a lot of time and put in a lot of effort in planning and implementing this campaign. You will also need to work extra hard to form a group or network of consumers to support your campaign.

### **4. Equity Crowdfunding**

According to the British Business Bank, Equity Crowdfunding enables entrepreneurs and businesses raise funding from multiple investors in a regulated way. Businesses list on an online platform, where investors and members of the general public can buy shares in the business.

Equity Crowdfunding platforms will assess your business and associated documentation to make sure it complies with its requirements. Some platforms will also help you choose the timeframe or investment amount you ask for.

Every Crowdfunding platform is different. Some platforms will manage your shareholder communication, whilst others offer advice. Businesses should speak to the platform about their services and specialties before they commit to listing.

## **What are Equity Crowdfunding regulations and tax incentives?**

### **1. The FCA**

The Financial Conduct Authority (FCA) regulates all Equity Crowdfunding platforms in the UK. The FCA also enforces the Prospectus Rules, where if a raise goes beyond €5m, the company will need to produce a prospectus which will need to be approved by the FCA.

### **2. SEIS and EIS**

For crowdfunding projects, the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) are available, offering tax relief incentives to investors. Businesses can raise up to £150k under SEIS and up to £5m under EIS.

## **What's the difference between Equity Crowdfunding and Peer-to-Peer Lending?**

Whilst Equity Crowdfunding offers investors a small share of your business in return for money, Peer-to-Peer Lenders loan money to your business in return for a fixed return over a fixed period. The two often get confused but there are important differences. Each has different benefits and suit companies at different stages of their growth and lifecycle.

Equity crowdfunding platforms include Crowcube, Seedrs, SyndicateRoom just to mention a few. Peer-to-Peer lending platforms include Zopa and Funding Circle.

You should consult a qualified financial adviser if you are unsure about the options available to you.

## **5. Debt finance**

Debt finance is one of the most widely known form of finance for many entrepreneurs, SMEs and other larger organisations. It is also one of the least expensive ways to raise finance. It is most suitable for established lower risk businesses, usually with a stable cash flow in which to repay the debt. Loans and overdrafts are the most common forms of debt finance. Debt finance includes various forms of loans such as those provided through banks, government-backed, credit cards, lines of credit, equipment and commercial loans.

The lack of access to external business finance affects many entrepreneurs and businesses, particularly new entrepreneurs and SMEs and this still remains one of the major challenges facing small businesses and start-ups in the UK. Entrepreneurs and SMEs across all stages of their business life cycle require access to suitable sources of external financing for their early stage and growth.

For many new entrepreneurs in the UK access to debt finance has been a major barrier particularly after the financial crisis of 2008. Although the economy has been slowly

recovering, access to credit still remains a challenge.

Many new entrepreneurs and SMEs face strict lending criteria set by financial credit providers and investors hence being turned down. Mainstream debt finance is the most common form of external credit for most entrepreneurs and SMEs as they rely on more traditional forms of debt finance options to start, sustain or grow their businesses.

## **6. Equity finance**

Equity financing (also known as venture capital) is the process of raising capital through the sale of shares in your business. This means that as a business owner you offer shares or part ownership in your company to an investor in return for cash. Equity financing can be raised from many sources including friends and family, entrepreneurs, investors, or an initial public offering (IPO).

Equity finance is a vital source of funding your business, particularly if it's a high growth opportunity. Although we refer to the business as 'high growth opportunity', equity finance is only suitable for certain types of high growth potential opportunities. Most investors who are involved in providing this type of finance look for high growth opportunities with innovative products or concepts, defensible business models, provable traction as well as problem and solution validity. Other aspects of the business they look for are experienced teams and some proof of sales activity.

Most VCs have a certain type of businesses or portfolio that they seek or go for. For example there maybe investors who are only interested in tech-based high growth opportunities such as agri tech, food tech, health, edu tech, mobile tech, prop tech etc. Therefore the portfolio they go for has to meet this criteria. So even if your business is a high growth opportunity but it doesn't fall within this category then the chances of your business being invested in will be slim.

Although many VC companies concentrate on high growth business opportunities, they are nowadays VC companies that invest in overlooked founders and markets across the UK. Markets include health and fitness, food and drink, women and diversity, ageing, population, consumer communities and conscious markets.

Although equity finance may sound attractive and helps high growth businesses grow quickly it also comes with a range of strict measures such as huge pressure on the entrepreneur to make the business very fast and successfully. Other measures include taking on management who may take charge of your business and may take control or make decisions on your behalf or even change the direction of your business. You should also be prepared to sell the share of the business that you offered to the the VC when they are ready to exit.

## **7. Business Angels**

Business Angels are usually private individuals or groups who invest in high growth startups and early stage businesses in exchange for for a share of the company's equity. Business Angels have become a more vital source of funding for early stage businesses who now supply a relative amount of equity finance to entrepreneurs and businesses as venture capitalists.

Business Angels use their own money to invest in businesses that they would like to

support and this can be done either as an individual angel or through a network of angels. Some business angels have or previously owned successful businesses of their own and have experience or expertise in particular industrial sectors or markets. Many take an active role in the businesses they invest in by advising and mentoring the management.

Many business angels make these funds available to these high growth startups and early stage businesses for product development, market expansion and team building. Business angels often do get involved in the businesses are there to offer advise and mentoring. They typically make investments from as low as £10,000 and these investments are usually SEIS (Seed Enterprise Investment Scheme) and EIS (Enterprise Investment Scheme) meaning they get tax relief.

Many business angels arrangements or contacts come either through angel groups, networks or simply informal contact such as friends and family, entrepreneurs, wealthy business contacts, suppliers, clients and sometimes customers.

## **8. Asset-based finance**

Asset-based lending is any kind of lending secured by an asset. This type of lending refers to finance secured against a business asset such as inventory, machinery, equipment or property which is used as collateral. This means that if the loan is not repaid the asset is taken. A typical example of this type of financing is a car finance or a mortgage. Asset-based finance can also include intangible assets such as Intellectual Property (IP).

According to the British Business Bank, Asset-Based Lending is growing in popularity in the UK. It allows businesses to unlock the value tied up in assets like debtors, stock and equipment, and provides funds quickly.

Four types of asset-based finance include the following:

- Finance lease - an agreement where you can rent the asset over an agreed period, up to a maximum longer term of 5 years.
- Hire purchase - where you benefit from the immediate use of the asset over an agreed term, while repaying the cost in instalments. HP enables you to acquire the equipment you need whereby a financing company purchases the equipment on your behalf.
- Operating Leases are a popular option for educational institutions such as schools and colleges as a means of supporting on-going equipment investment.
- Operating lease - this is where you will not need the equipment for its entire working life. Payments appear on your profit and loss account and as the asset is only kept for a defined period, the value of the asset and corresponding finance liability does not appear on your balance sheet. The finance company will take the asset back at the end of the agreement.

## **9. Accelerator**

Startup accelerators support early-stage and startups with high growth opportunities, through education, mentorship, and financing. Startups enter accelerators for a fixed-period of time, and as part of a cohort of companies.

Accelerators typically offer seed money in exchange for equity in the company. This may

be as low as £10,000. There are various accelerator programs across the UK and worldwide and most of them do offer various support services such as mentorship, workspace, networking events and grants.

## **10. Strategic Investments**

Strategic investments is where one allow another business or company to make an investment in your business. Your two businesses then enter into agreements that are designed to serve shared business goals. This type of arrangement is similar or closely related to a joint venture or joint ownership.

For example your business or company may seek to enter into a joint venture with another company whose goals strategically align with yours. Let's say your business is an emerging healthcare technology company which provides healthcare products in the healthcare sector, a major technology company may form a joint venture with you to help further or foster innovation and digital enterprise.

## **11. Startup Competitions**

As you have seen or learned from this section it can be quite challenging, time consuming frustrating and involving for aspiring entrepreneurs or businesses to launch a startup or acquire funding for their business. As you are new to entrepreneurship or your business is new you may not have built enough credibility, industry contacts, networks, investors or have alternative funding options other than your own or lack of it!

Therefore to start establishing yourself in the industry or sector you are in it may be beneficial for you as well as your new business to compete in competitions for startups. Most of these startup competition events are held regularly, where participants win cash prizes towards their startups or scaling their businesses.

However, many startups and businesses do not enter to win the top prize as these platforms are also an ideal place to showcase and promote your new business as well as your products. You also make connects and meet industry experts as well as potential customers for your products. These new connections and contacts could further lead to other opportunities such as investment and partnerships.

Some of the most popular startup competitions include The Pitch and many others. Information can be found in our resource hub.

IDEA2LAUNCH Pre-Startup Program Competition

## **12. Government And Private Grants**

There are a range of startup business grants are available for entrepreneurs and startups depending on the sector you want to go into. For instance if your business will involve creating product or services associated with STEM (science, technology, engineering, mathematics) or cater for any such markets you may qualify for some of the grants. Here are a few examples of some of the available grants:

- Innovate UK provides government grants to businesses looking develop and realise

the potential of new ideas including those from the UK's world-class research base.

- Research and Development (R&D) reliefs support companies that work on innovative projects in science and technology. It can be claimed by a range of companies that seek to research or develop an advance in their field. It can even be claimed on unsuccessful projects. You may be able to claim Corporation Tax relief if your project meets our definition of R&D.
- The National Lottery Heritage Fund supports heritage projects ranging from designed landscapes to cultural traditions. The National Lottery Grants for Heritage 2021-22 will prioritise projects that boost the local economy, encourage skills development and job creation, and support well-being.
- You can also ask your local authority about grants available in your region and funding specific to your industry.

Further information can be found in our resource hub.

### **Finance or Investment fit**

As you can see from the above finance options, the funding option that's available for a certain type of business may not be appropriate for your business or vice versa. So as you start your business and embark on seeking capital for your business, you should at least work out out or find out which type of funding maybe suitable or easily accessible for your type of business or your situation.

There's more information on finance and funding options for your business in our resource hub.