

**Pre-Startup Program for Aspiring Entrepreneurs**



## **GUIDEBOOK**

**A step-by-step guide to determine whether your  
idea is worth turning into a viable business**



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# Empowering a new generation of aspiring female entrepreneurs

IDEA2LAUNCH is a Pre-startup program that provides entrepreneurial skills and resources to aspiring female entrepreneurs from all backgrounds to enable them to start and grow their own business ventures.

We provide an action-based and hands-on online and offline pre-startup program to aspiring female entrepreneurs, led by experienced facilitators and other entrepreneurs within our community and network.

# Introduction

## Hello

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

IDEA2LAUNCH Pre-Startup program is the flagship program of UNTAPPED FR LTD. Our program takes you through a process of starting any business although what makes our program particularly different from other business startup programs or courses is that it is an action-based and hands-on process based on our own developed framework.

Throughout our IDEA2LAUNCH Pre-Startup program, you will be actively playing the role of a potential entrepreneur or business owner who is in the process of setting up your own business. You will carry out tasks and activities based on your own business idea, product or service.

The IDEA2LAUNCH Pre-Startup program Guidebook is an action-based, step-by-step Guidebook. It is split into 8 sections that walk you through the process of turning your business idea into a viable business.

### **BELOW are just some of the topics that are covered in our program:**

- Assessing your entrepreneurial potential including carrying out your entrepreneurial self-assessment and identifying your strengths and weaknesses.
- Exploring your business idea i.e. narrowing it down and knowing what to focus on including idea generation and the use of problem-solution approach.
- Assessing your business idea and determining whether it is worth pursuing further or turning into a viable business by assessing its feasibility.
- Validating your idea and concept i.e. testing your idea, product or service in the real world.
- Developing your business model by exploring various types of business models as well as exploring the Business Model Canvas elements.

- Naming and branding your new business and how that makes you stand out from your competitors.
- Legalising and structuring your business including choosing your business structure, opening a business bank account and bookkeeping and accounting.
- Funding your business and exploring various funding options available to new businesses.

The answers that you provide as part of your tasks, activities as well as any information that you provide using our IDEA2LAUNCH Pre-Startup program Guidebook and Workbook will form the basis for your Action Plan that helps you to plan, implement and move your idea to the next stage of your business.

Therefore it is very important to remember that as you work through this entire program you try and take the entrepreneurial approach and have an entrepreneurial mindset.

As you go through each section, task or activity in this program, we urge you to take note of the parts where you will require to do further research or may require additional people or group to help with further research.

Online support is available via our dedicated private group forum to assist you with any questions on the program, Guidebook and Workbook content as well as tasks and activities. All participants whether doing self-guided or group program are encouraged to participate in our online activities and discussions via our forum as this will help you to interact with others or learn from each other by sharing ideas, knowledge, experience and skills.

Our program is delivered through the following formats:

1. Self-Guided program (work at your own pace) but within a specific time-frame
2. Group program (collaborative and facilitator-led) - in a group environment e.g. workshop, co-creation, teams or alongside other participants

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

If you need further support and advice 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 admin@untappedfr.co.uk for any urgent inquiries and we hope to get back to you within the shortest time possible.

Throughout our program we hope to keep in touch with participants to offer further help and support.

I hope you find our program useful and enjoyable but most importantly insightful as you embark on what seems to be like your most challenging but exciting entrepreneurial journey!

*Rita*

Program Creator

# Section 1:

## Getting Started

Are you ready to start your own  
business?



## 1.1 Introduce yourself - Getting to know you

When you sign up on IDEA2LAUNCH Pre-startup program, we'd love it if you could first take a moment to write a short introduction about yourself so that we get to know a bit about you and also welcome you to our private online forum for participants.

It can be as long or as short as you like, and you might want to include the following:

- Who you are and where you are based
- What type of venture you are setting up
- What you've done with your idea, business or skills so far
- What your plans are for the future
- Any skills or knowledge you've got that other participants might benefit from
- Any other interests, hobbies or how you spend your leisure time
- Any other information that you would like to share with us or others

### Task 1:



We would now like you to head over to our online portal ([www.untappedfr.co.uk/idea2launch](http://www.untappedfr.co.uk/idea2launch)). Using your login details provided log in to our forum and post your introduction. If you are part of the group program please use the workbook to complete this task.

## 1.2 Identifying your strengths and weakness

What are you good at? This is the most important question to ask yourself before starting your own business! The next most important question to ask yourself would be 'What are you not good at?

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.

Before you even consider starting your own business it's worth identifying 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.

### Task 2:



Identify your strengths and weaknesses using the separate sheet provided.

# Section 2:

## Exploring your idea

Narrowing down your idea and knowing what to focus on



## 2.1 Business idea generation

Coming up with a 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.

Business ideas are usually 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 generated from the needs of people or at times from 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 turn into viable businesses. Hence before you come up with any solution 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 starting your own business.

## 2.2 What makes a good business idea?

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 and/or others to utilise relevant skills, hobbies or a 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 a society better or people's lives easier e.g. helping people connect, enable people easily access 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 easy access to better housing, food, education, mental and well-being, friendships, security etc.
- Ideas that evolve i.e. 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.

And so on...

## **2.3 Identifying the problem and coming up with a solution**

Many entrepreneurs usually identify either their own or that of others' problems and then attempt to provide a solution to help tackle the problem before actually turning it into a business. This kind of strategy for starting a business is at the core of many viable and sustainable businesses.

If you've identified a problem and have come up with a brilliant solution that you think would turn into a viable business, you need to consider how you are going to achieve this. This would involve thinking about moving it from just an idea to the next level. This would also involve looking at key aspects of validating your business idea, proof of concept, prototyping and testing, the right business model for your business and other vital aspects that will be covered at a later stage within this Guidebook.

Example: Before we move on to that here is a case example of how two entrepreneurs came up with their idea for a digital platform that connects homeowners with reliable and carefully vetted home service contractors using the 'problem-solution' approach.

### **Identifying the problem**

After many years of living in a rented property Joshua and Jane finally managed to purchase their own house and moved in straight away. However, their new home was in need of modernising and could benefit from doing major renovation work. They then decided to start contacting home service contractors such as builders, plumbers, electricians, landscapers and so on from within the area. They soon realised that not a lot of them delivered the results that they

promised when they first assessed the level of work involved. The couple were very disappointed as some of these contractors wasted their time. Not only did they waste their time, these contractors also wasted the couple's money as they had to look for other contractors to finish off the unfinished jobs that the initial contractors left behind. Joshua and Jane soon identified the need for a more reliable resource to find and hire trustworthy home service contractors. Before they got carried away with the idea, they shared their horrible experience with the rest of the community on their social media pages and they were surprised at the response they got from other homeowners who had gone through the same experience.

## **Coming up with a solution**

After identifying the problem, with Joshua's background in IT, Jane's in sales and marketing, they came up with the idea of an online platform that would be able to connect homeowners with trustworthy home service contractors. The platform would then be used to help tackle the problem of finding trustworthy contractors by creating a digital platform that connects homeowners in their neighbourhood with fully and carefully vetted home service contractors such as plumbers, builders, gardeners, decorators, cleaners etc.

## 2.4 Is your business idea a 'need' or a 'want'?

Once you've identified the problem that you are trying to solve and come up with a great solution i.e. a product, service or both to tackle it, you will 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 is not necessarily essential.

Going back to the couple's case example that was provided earlier, it is quite easy to determine whether their business idea for a digital platform that connects homeowners and home service contractors is a 'need' or a 'want' just by looking at how much their service would help with the major issue faced by other homeowners within their neighbourhood.

### Task 3:

What business idea have you come up with? What problem have you been able to identify and what solution have you come up with to tackle the problem? Using the 'problem-solution' case example, determine whether the problem you've identified applies to you, the people around you or a wider society. You will also need to assess whether your business idea is a 'need' or 'want'.

## 2.5 Is your idea a 'startup' or a 'small business'?

A startup (often referred to as high growth) business differs from a traditional small business in that high growth startups generally focus on growing their businesses at a faster rate and large scale, typically nationally or internationally whilst at the same time taking on venture capital with intentions of selling up within a short period of time, usually within a few years. The venture is usually set up by a founder or a team of founders who initially come up with a solution to a problem that they are trying to solve.

An example of a high-growth business can be a tech-based startup in any sector such as food industry where a founder comes up with digital platform that connects restaurants and fast food takeaways with people looking to order and have their food delivered in the comfort of their homes. Once this platform is setup and the service is started, the venture can easily grow and scale up and expanded nationally or globally without the need for major resources.

High-growth startups usually rely on venture capital to fund their startups. They also attract venture capital and investors and as they are high-growth which means high return on investment although they can also be high risk ventures in nature as they are maybe starting something completely new or something that may not work out in the real markets.

As most startups are started with intentions of growing fast, be profitable within a shortest period of time and rely on venture capital, the founders must be ready to sell up therefore should have an exit strategy plan in place.

## **Traditional or small businesses**

A traditional or small business is one that is setup simply to provide a certain level of income or profitability and not necessarily focused on high growth or scalability. The venture is usually set up by an individual, entrepreneur or a group of people who initially come up with a business idea with the aim of making a profit. The majority of small business owners decide to start their own businesses with intentions of having a flexible and fulfilling lifestyle and do not necessarily have plans of scaling up, making quick profits or sell up within a short time.

An example of a small business be a local retail store business that specialises in homeware and accessories with no intentions of scaling up or expanding nationally or globally. In terms of growth the only thing they may consider would possibly a move to a larger facility, acquire more equipment, increase staff capacity or even open another local branch.

Traditional or small businesses usually rely on their own finance or other forms of traditional debt finance such as bank loans or from friends and families to fund their businesses. Therefore they do not attract venture capital or any type of formal equity investment as they have no intentions of growing or selling their businesses.

There are other forms of finance such as grants and help from financial institutions that help small businesses.

## **2.6 Four stages of business ventures**

Every business, whether it's big or small, goes through various stages of business growth.

Below are the four stages of business venture.

### **1. Idea Stage (Pre-startup)**

At idea stage, whether you are a startup, small business or running a side hustle venture, it means your business has not started operating or fully launched in the real market. It also means that you have not legally formulated your venture. At this stage you may not have even acquired any customers or users. You may not also have created a formal team and only be you or co-founders working on the idea. You may also also be in the process of looking for additional help such as team members, experts to help you move from idea stage to the next stage.

### **2. Early-stage (Startup)**

As an early-stage venture you may have put most of the basics such as your product, services or both in place but still going through product development. At this stage you may also have formulated your venture, acquired a few customers, users or made a sales. You may also have managed to put a strong team together to help with further product development, increased customer base and sales. If you are a startup you may have started seeking external funding such as equity finance, debt finance or looking for investors to come on board to help with the acceleration of product development, team building, marketing and sales growth.

### **3. Growth stage (Established)**

At growth stage most ventures would have been actively operating and acquired a lot of customers and maybe looking to grow the business at a higher rate. At this stage the venture would have also increased and earned enough revenue and looking to expand further, would be seeking for more capital or outside finance to accelerate its business growth. The venture would have also developed its products, built a strong team, human resource as well as a strong business model.

### **4. Mature stage**

At mature stage the venture would be have reached its peak and completed its development. This means that it's has acquired a stable customer or user base and may or may not looking to expand further more. The venture has also developed its solid revenue, streams, dedicated customers or users as well has established solid outside funding and relationships with investors. The venture has also established other ways of reaching out to more customers and users, solid team and expertise and established other management structures. At this stage the venture may be considering into moving into new market segments or if it's a startup it may be considering merging or exiting.

# Section 3:

## Assessing your business idea

Determine whether your idea is worth pursuing further or can be turned into a viable business



### 3.1 Feasibility - Will my idea work in the real world?

In this section, you will determine whether your business idea is worth pursuing further or can be turned into a viable business. You will start by assessing the feasibility of your business idea. By feasibility we simply mean finding out the practicality of your idea. To determine the feasibility of the business idea involves finding out whether it would work in the real world; whether it's something that people would use or buy; whether it's something that can be sold for a profit; whether it has the potential to grow; and whether there's anything like it already.

A feasibility study involves the collecting, gathering and analysing of information to find out if the business idea is good or not. This study can either be done by yourself or with input from others i.e. working with others in order to complete. Therefore, it's essential for you to draw up a list of any additional individuals, group or any external assistance that you may require at each stage during this process.

When it comes to business ideas, we all come up with many ideas that we think or assume will turn into great business ventures. However, even if some of them turn into viable businesses, there are others that don't! Hence this is why you will need to determine the feasibility or practicality of your business idea before you invest your money time and effort into it. This also helps you to learn more about your business idea before you fully create your new product or service.

A feasibility study involves the gathering and analysing of information to find out whether your business idea is viable. To assess the feasibility or whether your idea would really work in the real world, you will have to carry out research on how

practical your business idea is. Once you've identified the problem and come up with the solution to tackle it, you will need to take into account whether it's something people need or want (referred to in section 2).

Feasibility study is one of the most crucial aspects and important stage when starting a business as it helps you to determine whether your idea would work in the real world. It may include talking to your potential customers, partners and suppliers. It's also equally important to conduct surveys, sampling and testing of your initial product or services.

You need to ensure that you gather as much information about your potential product or service as possible as this not only helps you determine whether your idea would work, it also helps you determine whether your product would actually turn into a profitable business venture.

The benefits of doing a feasibility study include the following:

- When you conduct a thorough feasibility study for your business idea you save yourself time and money spent on setting it up as well as resources.
- It helps to identify some of the things that might go wrong along the way.
- Helps you make informed choices and well researched future plans.
- Helps you focus on relevant aspects of the businesses.

### 3.2 Sustainability - Will my idea make me any money?

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 you need to ensure that your business idea will be sustainable enough to achieve a positive cash-flow. Without money your business is very likely to fail. Even if your business idea is based on a social enterprise or not-for profit organisation it does need to be cash flow positive in order for you to afford to help others as without money your organisation will not last! Therefore a revenue model or ways of generating cash is the most crucial aspect of running a successful and sustainable business or organisation.

To determine whether your business idea has the ability make you any money you will need to identify your main source of revenue as well as additional revenue streams.

For a 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 introduce other packages that you may up-sell or cross-sell, introduce an affiliate program or referral program and even one-off sales of the subscription boxes.

Therefore in order for your business to be profitable or sustainable you will need to explore every possible revenue stream and options available within your chosen business model.

#### Task 4:



Does your business idea have the ability to make you money? What is your main revenue stream? Have you identified any other possible or additional revenue streams?

### 3.3 Can my business idea grow or expand?

Does your business idea 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 it will help you when setting up your business to choose the right business model as some business models can be limiting when it comes to scaling up. Business models are covered later on in this Guidebook.

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 the cards you are unable to take on extra orders therefore you miss out on all these orders and sales.

The above example is what often happens to a lot of entrepreneurs. 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 and training of additional card designers, equipment and perhaps a larger place or studio to do all the design and printing of the cards.

## Task 5:



Looking at your business idea, product or services, do you think your business have the opportunity to grow or expand? Have you got any strategies in place or plans for growing or scaling up?

### 3.4 Will anyone use or buy my product or services?

Here you will need to determine whether you have already identified the market for your product, services or both. 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 people's behaviour or is it other factors such as environmental, social, political, legal or technological?

Let's say you live in a community or an area which has a large population of elderly people and few young professionals. You've come up with these two good business ideas - either starting a sports and urban clothing business which caters for the youth and adults or an outdoor clothing store that caters for all age range. You may however, be more successful to set up an outdoor clothing that specialises in a wider clothing range and population including young and elderly people. That way the product range that you intend to offer would be enough to cater for a wider population as well as meet the needs of your potential customers in that area.

#### Task 6:



Have you identified the market for your product or service? Have you identified people interested in buying your products or using your services? Do you know the sector you will be operating in?

### 3.5 Is there anything like it already?

Before you get carried away with your business idea it's very important that you check out who the competitors for your product or services are or will be and whether there's anything similar already. The 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 can be one way of determining whether 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 saturated and maybe quite challenging to get a decent market share for your new 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 only. These could include products/services that are in both direct and indirect competition with yours. Therefore it's worth doing a bit of research in order to find out who your direct and indirect competitors are or will be.

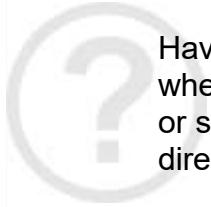
Let's say you are considering opening a fitness gym that will offer people in your area health and fitness services. You then decide to do research to find out whether there's anything like it in your area. In addition to your research you decide to do a short survey to find out whether there are people who would use your fitness gym, what their health and fitness needs are and so on. As a result of the research and short survey that you carried out, you then discover that not everyone would be into fitness and exercise to stay healthy. You learn that 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 example your competition wouldn't just be another fitness gym in the area, it's also a whole range of fitness and health alternatives such as healthy food, fitness and exercise apps and conscious consumption businesses.

## How to research your competitors

- You may use search engines such as Google to see whether there are any businesses offering similar products and services to yours.
- You may use social media to find out more on what your competitors are doing and their strategies.
- Talk to potential customers to find out what their are into, what they are looking for or their preferences are.
- Become your competitor's customer to determine where you can improve your product or services or even offer something something that's missing from their offerings.
- Attend trade fairs and other networking events to learn more about products and services as well as meet and make contacts.
- Conduct a survey to collect customer and potential customer feedback.
- Read business, trade, industry and media publications to help you learn more about business trends or analyse market reports and data.

### Task 7:



Have you done your market 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?

## **Conducting a feasibility or market research for your business idea**

Depending on your business idea, a feasibility or market research may be challenging, particularly if you are setting up a business on your own. This is where you will need to involve other people such as friends, family and/or members within your community. The importance of having such a team or group in place is that they will help you gather and analyse the information.

Therefore as you go through this Guidebook you need to create a team or group of people that you think would help you in conducting a feasibility or market research.

## **Determining the feasibility of a new business idea**

To determine the feasibility of the business idea involves finding out whether it would work in the real world; whether it's something that people would use or buy; whether it's something that can be sold for a profit; whether it has the potential to grow; and whether there's anything like it already.

Let's again take another look at the example that was covered in the earlier sections to help determine the feasibility of the business idea.

Example: Home services digital platform

Feasibility of a business idea: The business idea is a digital platform and mobile application, which is designed in order to find and connect reliable and vetted home service contractors with homeowners looking for providers of home services.

The idea is innovative (new product and service), and there

are no similar services in the area. The feasibility of the home services digital platform service has been conducted before establishing a business out of it. There are two types of customer segments for the home services digital platform: first customer segment (contractors such as builders, plumbers, electricians, cleaners, gardeners etc.); and second customer segment (homeowners include property owners, tenants, property agencies etc.) The main purpose for the home services digital platform is to bring these two customer segments together.

In order to determine the feasibility of the home services digital platform idea, the owners have ensured that they've collected and gathered as much information about their potential customers as possible as this not only helps them determine whether their idea would work, it also helps them determine whether their business idea would actually turn into a profitable business venture.

The owners have taken the approaches to assess the home services digital platform idea:

- Conducted a feasibility or market research using their two user groups: (a) home service contractors and (b) homeowners to determine whether their idea would work in the real world and whether these customers would use the service.
- Set up a questionnaire to ask the home service contractors how much they were willing to pay for the service to determine whether their business idea would be profitable.
- Set up a subscriber email to create a list of potential users from both groups to determine the potential scalability (growth) of the business idea.

- An online survey was carried out in order to discover possible demand in the market. This survey was conducted using the homeowners. The owners used a survey tool for creating a survey and was distributed among the user group (homeowners) via social media platforms.
- Conducted a feasibility and market research before entering the target market to determine the workability of their business idea in the real world.

#### Task 8:



Have you worked out how you will be able to determine whether your business idea is feasible – will it work in the real world? Will it make you any money? Has it got the potential to grow? Will anyone use it or buy from you? And lastly is there anything like it already? Have you identified any research methods or tools that you could use to conduct your research?

### 3.6 What to do if your idea isn't feasible

At this stage of your business idea validation, you will have started to determine whether your idea is worth pursuing further and started to clearly understand the direction your business idea is heading. At this stage you may also have a BIG question to ask yourself - "What if my idea doesn't work out?"

The simple answer to this question is to PIVOT! In case you are wondering what the word 'pivot' means in terms of business. This is simply a fancy word meaning making modifications to your current idea or shifting to a new strategy or plan of action. Pivoting your business idea may include the following:

- Changing your entire business idea after you discover that there's not enough market for it, no one is willing to buy or use your products/service.
- Adapting parts of your product or service after discovering that the current one isn't a suitable fit for your market
- Simplifying the process or product based on the user experience outcome
- Shifting your focus to target a different user group, segment or market
- Adapting or changing the implemented technology
- Changing to new revenue model to increase income or revenue streams etc.
- Changing your business idea altogether upon discovering that the market is over saturated or there's too much competition.

By making some modifications to your original ideas or shifting to a new plan of action you may create or turn your idea into

something that you can then feasibly and successfully take to market. Since at this stage you've conducted your own feasibility testing – meaning you've already collected and gathered enough information about on your business idea, you'll have a better understanding and knowledge needed to pivot.

# Section 4:

## Validating your business idea and concept

Testing your idea and concept in the real  
world



## **What is idea validation?**

Idea validation is the process of testing and validating a product/business idea before it's launched. The aim of idea validation is to expose your potential product to the end user and see what the user response might be after the launch.

Before you start your business or develop your product or service further, it's crucial for you to walk through the process of testing and developing your idea in order to have a better understanding of the idea or solution that you've created or come up with. There are various approaches for testing and developing your idea or solution. These include proof of concept, prototyping, pilot and Minimum Viable Products (MVPs).

Testing your idea, product or service before starting your business would be quite beneficial to you in the long run as it will help you to identify any problems and challenges that might have come up later in your business idea development. It would also help you identify aspects of your idea that work well and those that don't. Therefore testing your idea would save you time, money and other resources invested in the business.

It is often very challenging (particularly with micro and smaller businesses) when it comes to testing and developing an idea or concept before determining whether it's going to be successful or not. Many successful businesses often spend a great amount of their time tweaking their products and services therefore testing the product or services is critical!

## 4.1 Difference between an idea and a 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 homeowners.

Idea: An online service that connects carefully vetted home service contractors and homeowners.

Concept: Joshua and Jane's idea to create a digital platform came about after finding out that there was no such service or similar digital platform in their area. They carefully thought through the initial details about their idea before creating a digital platform that would bring together vetted home service contractors and homeowners looking for such services in a safe and secure environment.

Before starting their digital platform business Joshua and Jane had explored their idea as well as their concept further to assess its market potential. They also researched whether both home service contractors and homeowners would welcome and utilise such a service, whether the two entrepreneurs were able to meet both homeowners and contractors' needs at a price their clients would be willing to pay for the use of such a service to work out whether they could still turn that idea into a viable and profitable business.

## 4.2 Methods for testing your idea

You might have heard a lot of people using the following words or terms when referring to testing an idea, product or service in the real world: Proof of Concept (POC), prototyping, piloting and Minimum Viable Product (MVP). Although these terms are used interchangeably, they each refer to different stages of idea or product testing. Below are terms explained in details.

## 4.3 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. A proof of concept then leads to prototyping which is a more practical way of presenting a product. For example, a proof of concept might be used to demonstrate that a design concept or a feature is feasible.

Let's say you are considering starting a new business selling handmade soya wax candles that will come in various fragrances. In order for you to establish whether your business idea is viable you will need to conduct a test for the purpose of validating that your product or idea is feasible to take to the development stage. Therefore you might consider carrying out a market research or coming up with a questionnaire to send to friends, family as well as potential customers asking them what their preferred candle scent is. You might also include in your research further questions such as how much your intended customer would be willing to pay for such a product and also if they would sign up for further updates on the products and to be notified on the launch etc.

## 4.4 Prototyping your product or service

Prototyping refers to the physical methods used to turn your concept or solution 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 use the feedback to make any modifications to the products and services along the way. A prototype can be a website design sample or a presentation or a script.

Prototyping is can be quite 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 determining the interest and market potential for it and also assessing whether it fulfils your targeted customers' needs.

## 4.5 Piloting your business

Simply put a pilot is a small, simple and yet very effective and controlled research method of testing your idea, product or service for the first time. This is the same as taking your idea or solution on a road test or rehearsal before you actually fully launch it! It's also a great way of testing your idea particularly if you are a micro or small business as it is comparatively a cost-effective way of testing your product in the real environment before you decide to heavily invest your time and money in it.

A pilot is an advanced stage of the idea testing and usually involves a live or smaller group of early adopters. For example a digital platform entrepreneur may use a focus group to test its digital platform or mobile app to help it identify any teething problems before fully launching the service.

## 4.6 Minimum Viable Product (MVP)

When it comes to MVP testing, all it consists of is 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 it sometimes referred to. 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 you've collected all the feedback you may move 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.

After receiving feedback from the sample you then move on to produce a few real full size products. You will then hope to gather more feedback on the product to include design, feel, smell and quality etc. It's at this point that you need to determine whether they will be any modifications to be made or showcase the products to potential customers and even other potential suppliers and stockists.

### Task 9:

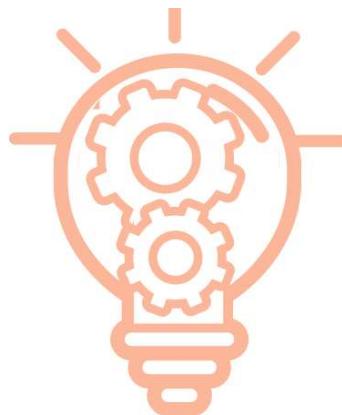


Looking at what was covered under testing and developing your idea, product, service or solution, have you carefully thought about how you plan to test yours?

# Section 5:

## Developing your business model

Exploring various business models  
to help you develop your own  
business model



This section has various parts that mainly focus on business idea development which will help you to develop your own business model as you work through this section on your way to starting your own business. It includes some of the most used business models to help you understand how using or applying any of these models helps you generate money and also helps you to apply the most relevant business model to your business.

This section also covers the most popular business tool known as a Business Model Canvas which consists of step-by-step elements to enable you to organise your idea in a more simplified one page business plan.

## 5.1 Understanding what a business model is

Before you get started with this section it's better to 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 viable 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 as well as its offerings.

## 5.2 Exploring various business models

There are various types of business models for different types of businesses. We've provided a separate sheet where we've listed some of the well known business models used by entrepreneurs and businesses of all types and sizes and also provided a brief description on each one of them.

### Task 10:



To learn more about various business models please head over to our resource hub or use the supplement sheet that contains a list some of well-known business models. Once you finish head back to the Guidebook and continue with Section 5.3: Choosing your business model.

## 5.3 Choosing your business model

By now you would have had the opportunity to learn and determine whether your business idea is feasible enough to proceed to the next stages. You've also had the chance to walk through various types of business models to briefly understand how they operate and generate their revenue. You also have an idea of the type of business you would like to setup.

But in order to increase your chance of starting a viable business you will need to apply a suitable business model. Therefore you will need to consider the following when choosing your business model:

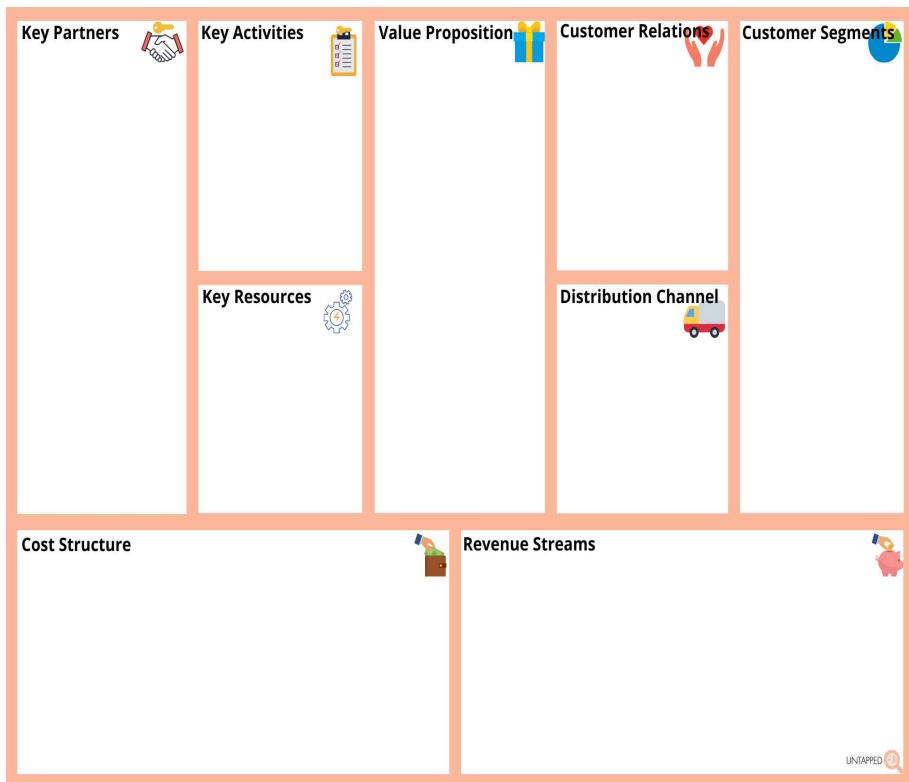
- Does it align or fit in with your business?
- Will it work or help solve the problem you are trying to tackle?
- Will it work for the market or customer segments that you are offering it to?
- Will it actually make you money?

As you have seen from the list of business models, some models work on their own, some have a mixture of models and some are new to the market where as others have been in existence for very long time! Hence whatever business model you choose make sure that it aligns with your business idea but just in case it does not fully fit in with your business idea, there's no harm in combining models in order to make it work or viable.

## Task 11:

Having looked and gone through some of the well-known business models and examples of businesses who apply them, and looking at your own business idea, have you now considered which business model is a right fit for your business idea and why?

## 5.4 Exploring elements of the Business Model Canvas



(figure: Business Model Canvas)

As you have seen and learned within this section, every business idea needs a business model in order to determine or plan how it's going make money. You've also learned why it's important for a business to have a suitable business model that aligns with its business idea in order to make it successful. Many business models are based on various aspects of the business or organisation i.e. could be based on their pricing, distribution, products and services, production, communication etc.

One simple and yet useful method to help you develop a business model that aligns with your business idea is by using a well-known tool called The Business Model Canvas created by Alexander Osterwalder, the founder of Strategyzer.com, in 2008. 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. The BMC is considered as one of the widely used and comprehensive template for business models. The BMC will help you to organise your new business in a more structured manner by aligning your business activities while at the same time keeping you focused. Not only does the BMC helps you develop your business model, it also serves as a one-page business plan that helps you to explain the core elements of your business. The benefits of using this single page business plan is that you can easily add, remove, tweak and grasp information quicker.

## **Using the BMC**

With this IDEA2LAUNCH Pre-Startup program we've included a BMC (Business Model Canvas) separate Worksheet to help you plan and develop your business model. This is an A3 worksheet that you need to work through each element of the business model canvas in order to identify your strengths as well as your flaws in your chosen business model. A BMC will also help you identify some of the major aspects of running your business which include: identifying who your key partners or suppliers are; key activities of your business; your value proposition; customer relationships; your customer segment; your key resources; distribution channel, cost structure and your revenue streams or sources of revenue.

To simplify this process for you we've also provided some sticky notes that you can use to plan and organise your ideas for your BMC worksheet.

## **Business Model Canvas elements explained**

The following section will take you through a Business Model Canvas, element by element, and look at the purpose of each element.

## Element 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?**

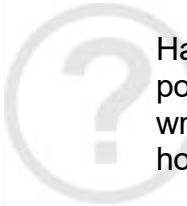
Key partners refer to the relationships that your business has with other businesses such as your business partners, suppliers, manufacturers, distributors etc. In order for any business to successfully plan and implement other aspects or elements of the business model canvas, partnerships need to be 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 also need to ensure that all partnership arrangements are done in a transparent and binding manner to avoid pitfalls and conflict along the way.

Many partnerships exist between businesses due to a number of reasons such as to gain market share, reduce costs, risks, competition as well as to benefit from one another. Some examples of partnerships include co-ventures, joint partnerships, suppliers and buyers, co-creation, manufacturers and distributors. Therefore as an entrepreneur you need to identify certain aspects of your business that are vital to your business that you cannot perform yourself. This could be because you would rather focus on the core activities of your business than directing your resources to non-core activities. List of partnerships would 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 residents in your home town and surrounding areas. In order for your business to operate successfully you will need to establish several key

partnerships with cleaning products and equipment suppliers to provide cleaning supplies at wholesale price or in bulk orders. This type of key partnership is referred to as buyer-supplier partnership. Another possible partnership would be with local estate agents and housing associations (strategic partnership) looking to partner with a cleaning business so that they can offer their clients cleaning services e.g. end of tenancy or those selling properties as value added services. That way it would be much more cost effective to both businesses to have a partnership as you will both maintain expertise in your chosen area as you already have infrastructure in place to cater for customers' needs. On the plus side partnering with estate agents will provide you both with steady flow of clients for your cleaning business as well as competitive edge as you are working in partnership with well known estate agencies and brands.

#### Task 12:



Have you considered who your key partners or potential will be? Using the worksheet provided write down a list of partnership/partners who you hope to make work with?

## Element 2: Key Activities



**What unique key activities does your business do to make its business model work? Do your business activities involve producing a product, service or both?**

Key activities are vital in fulfilling any operational needs. They refer to any activities that your business does in order to make it operational and sustainable. Key activities may include production, operations, administration, marketing and problem-solving. Key activities may change depending upon the type of business you operate. For example If you are a cake maker, baking and selling cakes will be your key activities. If you are a food manufacturer, producing and distribution of food will be your key activities.

Therefore key activities play a very crucial role in each and every element of the business model canvas. This also 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 or buy clothes 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.

### Task 13:



Looking at your business model and type of business (whether product, service or a mix of both) what are your key activities?



## Element 3: Value Proposition

**What value are you going to deliver to your customers? Which customers' problems are you solving? Why will they buy from you?**

Simply put 'value proposition' is just another way of saying 'why a customer would choose your product or service over that of your competitor'.

Before you come up with any business idea you need to fully understand the problem that you have identified as well as the solution that you've come up with to tackle the problem. You also need to determine whether that solution is worth pursuing further or turning into a viable business. Since you've already identified a problem and have come up with a solution that you think would turn into a viable business, you now need to think about the value that you are going to deliver to your customers and why you think they would buy from you.

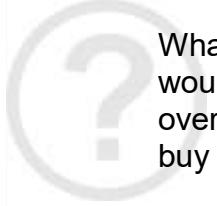
Let's say you are thinking of starting an online food delivery service for local restaurants and takeaways who wish to offer home delivery to their customers. Your platform offers an easy, user friendly and quick way for people to order, pay for and have their food delivered without leaving their homes. You therefore need to ensure that you put in place a simple value proposition statement that summarises why people would choose to use your delivery 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 takeaway 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 of your delivery drivers and any extra offerings you have in place that are exclusive to your business.

While there might be other businesses offering similar services in your area, it's important to also mention how your services differ from others such as customer experience, pricing and any customer schemes you have in place e.g. loyalty and referrals schemes.

#### Task 14:



What customer problems you are solving? Why would customers choose your product or service over that of your competitor and why would they buy from you?

## Element 4: Customer Relationships



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

Customer relationships 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 such as dedicated customer service, self-service, personal assistance, co-creation and community relationships.

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 operate a property estate agency business and have a small team which helps with the running of the business. You also have a number of clients and this include people selling houses and those looking to let their properties. You also have potential buyers and those looking to rent. In order for your 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 a member of your team to deal with a certain number of clients to maintain

consistency.

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 is user friendly and also that it meets 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 run a physical store that sells products such as mobile phones 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 may instantly be successful as they are 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 one another, solving each other's problems relating to the products which in turn helps the businesses to get feedback on products and understand their customers better.

Therefore, whatever type or types of customer relationships you plan to integrate into your business, you must ensure that they are planned and implemented effectively but most importantly with your customers in mind. You should also factor in the cost involved in the implementation.

### Task 15:



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 do you plan to establish with your customers?



## Element 5: Customer Segment

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

Customer Segment looks at who your typical or potential customers are as well as the people you would like your product or service to reach. Before you even go ahead and start creating your product or service you need to fully understand who your ideal customers are, what you plan to offer them, what value you are creating for them as well as what problem you are trying to solve for them. For this you will need to use a combination of factors to identify who your customers are. These include such factors as demographic, geographic as well as psychographic segmentation.

Demographic factors include dividing your market into segments based on characteristics such as ethnicity, age, gender, income, religion, family makeup, and education.

Geographic factors involves grouping potential customers by country, county, region, city, town or even neighbourhood.

Psychographic factors include grouping potential customers by their shared personality traits, beliefs, values, attitudes, interests, and lifestyles etc.

To simplify 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, lives alone or in a houseshare and are 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. Students will only be interested in smaller properties or shared accommodation as 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 accommodation could be ideal too. The nearer to university or college or good transport links the better as most of them do not own cars or drive to school.

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

#### Task 16:



Using the demographic, geographic as well as psychographic segmentation factors create or right down the 'persona' or 'personas' for your target customer(s).

## Element 6: Distribution Channel



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

Distribution channel refers to the aspect of the business that enables you to identify and assess the best suitable channel to integrate into your business model to help you reach your customers. Distribution channels simply help you move your products and services from you to your customer or intended market.

There are various distribution channels that may be used to allow the business to reach 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 would 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 to 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 may be

integrated include social media pages to drive even more traffic to the website etc.

As a result of using this mix of integrated distribution channels your business will not only cater to youths in your city but to a wider market, even globally! Also through the use of third-party channels your business is able to reach out to even more people and increase sales without you owning all of the distribution channels.

### Task 17:



Looking at your business idea and model, what are your current as well as possible most effective distribution channels are you planning to put in place. Would they include physical or virtual channels and will they be yours or done through third parties?



## Element 7: Key Resources

### What Key Resources does your business have or need?

Key Resources simply refers 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 your business may need it's worth referring to the key activities of your business.

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

Let's say you are setting up an on-demand apparel printing business and you will be specialising in custom printed t-shirts. In order for your 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 licences for the business.

## Task 18:

What key resources does your business have or you might need in order for your business to be operational?



## Element 8: Cost Structure

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

Cost structure 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 other internal aspects of your business which in this case are key partners, activities and 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 are 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 work out the cost structure of your business think about those costs that your business will incur i.e. fixed costs such as rentals 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 have decided to add a local flower delivery service to cater for customers who are not able to come to your store or are looking for an online flower service. 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.

### Task 19:



As part of your cost structure can you work out the most important costs that your business 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).



## Element 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. Revenue Structure looks at how the business or how the chosen business model is going to generate money. Earlier on we discussed and looked at various business models and briefly explained 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 for you to complete this task you will have to refer to the business model that you've chosen in order to sell your products or services.

Let's say you are starting a recruitment agency to connect engineers with companies and organisations looking to recruit engineers. You decide to follow the agency-based business model. Therefore your revenue streams will include a commission structure which is a percentage earned for placing engineers 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.

### Task 20:

What revenue structure or any possible revenue streams do you intend to put in place or apply to your chosen business model?

## **Just before you continue with this section...**

Earlier on in this Guidebook we covered and provided relevant information to help you determine whether your business idea was worth pursuing further or would turn into a viable business.

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 already registered or existing businesses**

Does your business already have a name, branding, registered?

If you answered yes to any or any of the above and signed up to our program or simply to learn more about developing a business idea 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 work through these sections as they may help you with some of the aspects of your business that you may have overlooked or didn't consider at the time.

# Section 6:

## Naming and branding your business

The importance of naming and branding  
your new business



## 6.1 What's in a name? Why your business name is so 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 easily be remembered and recognised! The most important part of all is to name your business so that it can be easily associated with what it does or what you offer customers.

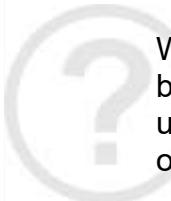
As a business owner you are free to come up with any name that you want as long as it's within reason and it's legally right. But before you head off to call your business whatever name you want there are a few factors that you need to consider such as follows:

- You must ensure that you have researched the name properly and that it's free or still available to use. Let's say you decide to name your new business that offers custom blind installations to domestic homes 'Sam's Custom Blinds' and later on you find that another business has the same name, registered their business and also have a domain and website registered. This would confuse your potential customers and may end up using the other registered business whose name matches yours. You may also end up being accused of passing off your business as theirs.
- 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 coming up with a business name you need to 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.

### Task 21:



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?

## **6.2 Branding Your Business**

Every business needs a Brand! Branding is one of the vital ingredient of any business – be it a micro business, 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, 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 or service. 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 rental business offering ladies designer handbags on hire which you source from various suppliers. Therefore your rental business will need to have its own branding as a way of identifying your business so that your customers can recognise your business and service. This may include a business logo, website, marketing materials, packaging etc. This simply means your product is handbags and not your brand. Whereby if you sold your very own handbags, exclusive to you or through other stockists that would be your own brand.

## Task 22:

Looking at your business, what branding options have you got or would you consider? Do you have or are you considering having a business logo, website, business stationery and marketing materials? Have you created a product or service that is exclusive to you?

# Appendices

## Useful Information



# Appendix 1: Registering your business

Legalising and structuring your business

## **Which legal structure are you considering for your new business?**

One of the major decisions you'll have to make before you fully set up your own business is to determine the legal structure for your venture. The question is how do you decide which 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 with some form of legal identity and prevents you from a number of risks in the future.

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

There are various types of business structure 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.

## Choosing your business legal structure

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

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

## Are you setting up your business outside the UK?

If you are thinking of setting up your business outside the UK then you will need to check with that particular country's rules and regulations in regards to starting and setting up a business.

Getting back to the UK, let's briefly look at each one of them below to give you an idea on how they are structured:

### 1. Sole trader or sole proprietorship

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.

A Sole trader business structure maybe suitable for an individual or a self-employed person with a micro business, low-risk small business or a small business run by an individual. Setting up as a sole trader is quite easy and straightforward, all you need to do is register as a sole trader with HMRC (Her Majesty's Revenue and Customs).

As a sole trader you are liable for paying income 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 self-employed and sole trader are often referred to 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.

You can find further details and information on the HMRC or government website ([www.gov.uk](http://www.gov.uk))

## **2. 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. The 'nominated partner' is responsible for managing the partnership's tax returns and keeping business records. If you choose yourself to be a 'nominated partner' you are obligated to: Register your partnership and its members with HMRC. A partner doesn't have to be an actual person.

### **3. 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.

### **4. 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 as explained below, plus they have annual reporting and filing requirements with both Companies House and HMRC.

#### **4.a 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.

#### **4.b 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.

### **Incorporating your business**

For both sole trader and 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 tax 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 with HMRC within three months of starting to do business.

If you are also a shareholder in your company, you can choose to pay yourself a salary and also pay dividends from company profit.

The second major benefit of a limited company is 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 or business matters may have problems completing the forms and documents accurately.

Essential business support and advice before starting up can provide an invaluable insight as to which of the different business legal structures might best suit your business as well as your entrepreneurial goals. 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.

## 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 put your business finances in 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.

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
- Any other additional information depending on the type of bank, account as well as your personal situation.

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 may be straight forward – unless you bank with a strict bank that 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 high-street) do offer free banking at least for the first year to any business opening a new business account with them. One thing you will have to watch out for are the fees and charges that come thereafter.

Another thing to bare in mind is that if you decide to open your business account with a 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.

## **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**

As you may or may not be aware many people don't know or understand the differences between bookkeeping and accounting hence tend to use these two interchangeably. Below is just a quick explanation to differentiate the two:

Book-keeping is a transactional and administrative role that handles the day-to-day task of recording financial transactions, including purchases, receipts, sales, and payments. While 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 minimal and straightforward, particularly if you utilise the online accounting and book-keeping software to take care of your own book-keeping. Online software include Xero, SAGE, Quickbooks, FreeAgent, FreshBooks, KashFlow. These range in price starting as low as £8 per month for self-employed.

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 micro

businesses, 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 providers 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 and other businesses for recommendations. You are almost certain to know at least a handful of people that have an accountant and a recommendation is often much better than finding someone you've never heard or used before.

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 bookkeeping 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 bookkeeping and accounting software and a good accountant will give you some help and support 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 and avoid fines.

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

VAT does not apply to all businesses and it may not apply to your business either. If your business is based in the UK and your turnover is NOT likely to reach the current VAT threshold of £85,000 per year, then you don't need to 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 businesses 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.

# Appendix 2: Financing your business

Exploring various funding options for your  
new business

As we are nearly coming to the end of this program and have covered almost all the key aspects of starting your own business, you may now be wondering how you will be funding your business, looking for sources of funding or 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 at this point but are now ready to learn more about some of the funding options that are available for your business.

## **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 are also alternative funding options suitable for specific business financial needs. Within this section we will cover different types of finance corresponding to different stages of business development. We also examine how some businesses such as 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 help you identify and determine when that may be the case, and where you may access alternative funding.

## Revenue or bootstrapping

This is one of the most popular ways of starting a business also commonly referred to as 'bootstrapping a business' meaning starting or growing your business with little or no money. It means relying on your own money, savings and revenue to start and operate your business. This also means no debt finance, venture capital or any outside investment. 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 start their businesses with little money as it can be extremely challenging to convince many lenders to offer debt finance or investors to invest in early stage or pre revenue businesses.

It's also important to stress that not every business requires capital or a lot of money to start. Let's say you are starting a marketing consulting business after many years of working as a marketing consultant. You then decide that it's time you left the labour market and set up your own consulting business. Based on your previous skills, experience and expertise, your business is likely to take off well without the need for extra finance. In this case you are simply starting a business by utilising your existing skills without the need for financial help or any other additional resources.

## Friends and family

As you may or may not have heard before, this is more often suggested or advised by many lenders to first time entrepreneurs or anyone starting their own business for the first time! However, many aspiring entrepreneurs and small business owners do find this conversation very challenging. Even though many business finance experts and advisors suggest that family and friends should be your initial source of finance for your new business, it's usually easier said than done. Unless you happen to have or know very wealthy friends or have a network of friends and family who are willing to support your new business at the most critical and risky stage then this form of finance can be the most challenging one.

On 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.

## Consumer crowdfunding

Consumer crowdfunding is a form of funding in which the entrepreneur or business involves consumers to finance the production of a product or service that is either still at the planning or early stage through an online platform. This method of raising finance may involve a reward-based program 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 are starting a subscription-based business offering monthly subscription boxes containing personal care and beauty products to your subscribers. 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. You will also need to offer discounts as one form of your rewards. 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 executing this campaign. You will also need to work extra hard to form a group or network of consumers to support your campaign.

## Equity crowdfunding

Equity crowdfunding enables entrepreneurs and businesses to 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 ensure they comply with its requirements. Some platforms will also help you choose the time-frame or investment amount you to for.

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

## Peer-to-peer lending

Peer-to-peer lending, also abbreviated as P2P lending, is the practice of lending money to individuals or businesses through online services that match lenders with borrowers. Lenders, who are usually individuals receive interest and hope to get their money back when the loan is repaid. The online platforms bring together people or businesses that want to lend money with those that want a loan as a way for borrowers to access funding without using or going to the banks.

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 CrowdCube, 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.

## 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.

## 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 for some businesses, particularly those with a high growth opportunity. Although often referred to 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 venture capitalists (VCs) have a certain type of businesses or portfolio they invest in. 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. Hence even if your business is a high growth opportunity but doesn't fall within this category then the chances of that 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 heath and fitness, food and drink, women and diversity, ageing, population, consumer communities and

conscious markets.

Even though equity finance may sound attractive and helps high growth businesses, it also comes with a range of strict measures such as huge pressure on the entrepreneur to expand or grow at a very fast and successful rate. 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.

## Business Angels

Business Angels are usually private individuals or groups who invest in high growth startups and early stage businesses in exchange for a stake or share of the company's equity.

Business Angels have increasingly become a vital source of funding for early stage businesses who now supply a relatively similar 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.

Many business angel 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.

## **Asset-based finance**

Asset-based lending is any kind of lending secured on 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).

Asset-Based lending is growing in popularity in the UK as it allows businesses to unlock the value tied up in assets like debtors, stock and equipment, and provides funds quickly. Types of asset-based finance include finance lease, hire purchase, operating leases etc.

## 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 as part of a cohort. 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.

## Strategic investments

Strategic investment is where you 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 that provides products to the healthcare sector, a major technology company may form a joint venture with you to help further or foster innovation by providing additional infrastructure such as manufacturing facilities and machinery.

## Startup competitions

As you may 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 businesses. 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 participate 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 may also make connections and meet industry experts as well as potential customers for your products or services. These new connections and contacts could further lead to other opportunities such as investment and partnerships. One of the most popular startup competition is The Pitch, a contest where entrepreneurs present their business concept to a panel in the hope of winning a cash prize or investment capital.

## **Government and private grants**

There are a range of startup business grants available for entrepreneurs and startups depending on the sector the business operates in. For example if your business involves creating products or services associated with STEM (science, technology, engineering, mathematics) or caters for any such markets you may qualify for some of the grants. Examples of some of the available grants include Innovate UK, Research and Development (R&D) reliefs, The National Lottery Heritage Fund and Local Authorities.

## **Finance or investment fit**

As you can see from all the finance sources and options that we've covered, the funding option that's available for one type of business may not be appropriate for another business or vice versa. So as you start your business and embark on seeking finance for your business, you should at least find out more and assess which type of funding maybe suitable for your business as well as determine the accessibility of that particular funding.

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

# Appendix 3: Business models

Exploring various business models

There are various types of business models for different types of businesses. We've provided this curated list of some of the well-known business models used by entrepreneurs and businesses of all types and sizes and also provided a brief description on each one of them.

## Retail

Retail business is a type of business model where a business sells directly to the consumers or the public. This involves the retailer purchasing their goods 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 is a business model where a customer makes a recurring payment on a regular basis in order to access products, services or both. This model is used by many businesses that specialise in both online and digital products. The 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 those that sell 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 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 as health and beauty businesses.

## Bricks and clicks

This business model also known as online and offline or omni-channel model has its operations both online and offline and enables its customers to shop either online or in-store and their goods 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.

## E-commerce

This business model applies to businesses who sell their goods online as opposed to the traditional brick-and-mortar business model. 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 the business selling advertisement spaces in their publications online, offline or both in order to generate their revenue. Advertising companies such as television, 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 new trends like blogging models offer other forms of advertising such as features, content, paid posts and review opportunities to generate income.

## **Freemium**

This business model is based on a free and premium model where a business, mainly those who operate in digital or online services offer basic products or services for free and any additional features at a cost. Examples of such businesses include digital software, games or service companies that offer customers certain product features for free and any additional or upgrade features at a premium price.

## **Online marketplace**

Online marketplace is a digital platform and type of business model that enables other 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, 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 lifestyle who are looking for immediate access to goods and services. This business model is popular in travel, transportation, delivery, healthcare, personal and professional services. Examples of such businesses include Uber, AirBnB, Deliveroo, Just Eat, 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 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. Example of SAAS businesses include Salesforce, Dropbox, Google Workspace, MailChimp etc. Example of PAAS businesses include Windows Azure.

## **Franchise**

A franchise business model is a type of business that is 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 a franchisor granting 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.

## **Manufacturing**

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

## Agency

Agency-based model is applied to businesses that offer outsourced services to other businesses who in return pay a fee for using such 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 etc.

## 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 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. Many network marketing 'reps' as they are known generate money or their income by building or growing their own network of partners or sales reps who then assist with sales and further recruitments. Hence businesses who apply this model are often referred to as a 'pyramid schemes' as their businesses are 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 models can

be applied 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 model is 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 signs 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 they get paid an agreed commission on every sale or referral that is generated or comes from them. Major companies that offer affiliate marketing programs include Amazon and Shopify.

## Peer-to-peer

The Peer-to-peer or (P2P) as it is widely known is a business model mainly in the digital market environment where individuals buy and sell goods and services directly to one another on one platform that provides this particular service. Transactions are usually handled by a third-party company that processes the payments, returns and refunds. Such P2P companies include AirBnB, Craigslist as well as some lending platforms such as Zopa 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 which is one of the market leaders in auction sites. There 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 an auction such as bidding for contracts and tenders from government or companies.

## Razor and blade

Razor and blade business model 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 commonly used 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.

## Licensing

A licensing business model is the type of model that generates revenue or income by granting its permissions, copyrighted or patented material to be used by another business. This model is common among companies and businesses that create, invent or design products or services such as software companies, training, manufacturers, inventors, intellectual property i.e. trademarks, patents and copyrights etc. They grant permission or a licence to other businesses who meet their requirements at a fee.

## Hire and rent

Hire or rental business model involves the providing of an asset, which can either be a product or services on a temporary basis. Hire and rental business model usually apply to physical assets although nowadays there also non-physical assets such as digital rentals. This business model involves or applies a revenue model where the asset can be provided on short-term, long-or simply as a one-off.

Some examples of hiring and renting business models include property firms, car rental, equipment hire, clothing etc. Digital rental includes products such as film streaming as opposed to video/DVD rental.

# Appendix 4:

## Presentation deck

(One-page business plan)

As an aspiring entrepreneur, you often hear a lot on how important it is to have a business plan in place before starting your own business. But many entrepreneurs find the task of preparing a business plan daunting! You may be wondering whether or not to prepare one at this stage. You might also be wondering whether it's necessary at any stage of your business to have a traditional business plan for a micro, small to medium or a startup business.

As you may or may not know, many business advisors and experts usually encourage entrepreneurs to have a business plan in place as they believe that business plans serve as your 'roadmap' to guide you as well as help you stay focused as you navigate the world of business.

As an entrepreneur, startup or small business owner you may not require an extensive business plan right from the start. This is mainly because as you navigate the world of business there are maybe some aspects of your business that may change slightly or significantly. Hence this may lead to extensive changes to your existing business plan which can be time consuming.

However, you can overcome this problem by simply opting for a 'one-page business plan' that is precise and easy to prepare and use. Besides the one-page business plan may also serve as a simple and quick presentation deck for you to share with any prospective investors investing in your business or individuals who may be interested in joining your business as partners or part of the team. Therefore the one-page business plan serves as a pitch document or deck for your business.

# So, what should your 'one-page business plan' include?

Find below a list of some of the main aspects of your business that you may want to think about and consider including in your one-page business plan.

## Summary

Briefly write a compelling paragraph about your business or idea. This is like an elevator pitch. An elevator pitch simply refers to a brief, persuasive speech that is used to spark interest in what your business does. Hence this is where you briefly explain what your business or idea is all about. In short, briefly describe what your business or company does.

Remember to include your business, company name or logo above the summary.

## The problem

This is where you explain what problem you've identified and are trying to solve. Provide an overview of the problem and briefly explain it.

## The solution

This is where you explain what solution you've come up with to try and solve the problem. Provide an overview of the solution and briefly explain it.

## Product or service

Briefly provide an overview of your product or service that you've created as a solution to these problems.

## Timeline

Provide a simple timeline to highlight where your product or service is currently at. This involves creating a time-frame for each key milestone including a start date and an end date for aspects that require longer planning and execution.

## Target market

Briefly describe who your target customers that you want to cater to are, what their profiles and personas are.

## Market Size

Briefly describe the size of the market. Here you may need to include such data as follows:

- (a) Total Available Market (TAM) meaning the total market demand for your product or service.
- (b) Serviceable Available Market (SAM) meaning the portion of the market that you hope to acquire. This refers to the more specific market that your business will serve within your geographical reach.
- (c) The Serviceable Obtainable Market (SOM) meaning an estimate of the market share that your product or service can gain. This refers to the portion of serviceable available market that your product or service can capture.

This may be presented as a chart or image ( TAM, SAM and SOM) to explain your market size.

## **Competitors**

Briefly describe who your 'direct' and 'indirect' competitors are

## **Competitive advantage**

Briefly describe what makes you different from others including your competitors and what makes your product, service or business better than them.

## **Traction or data metrics**

Provide a brief or a summary of how you measure your product or service's progress. You may also need include data/metrics information such as sales revenue, number of subscribers, website traffic, social media followers or metrics and mailing list sign-ups.

## **Business/revenue model**

Briefly explain what your business or revenue model is. This should include how your business plans to make money i.e. you may include pricing model and how your business operates. The use of graphs and charts may be useful to explain your model(s) and any other revenue streams.

## **Team**

Briefly introduce yourself, individuals or the team behind your business. Here you may only need to focus on key individuals or team who are essential to your business. It may only be yourself at the beginning or you may need to involve outsourced individuals or team.

## **Financials**

Briefly provide a summary of most crucial financial information for your business including costs, resources, distribution and marketing etc. You may also need to use a chart, graph and financial forecasts.

## Your goals/future plans

Briefly explain what your next steps and goals are including what you would like to achieve over the next few months, quarter, year or five years. You may also include how much support you would need from others i.e. individuals, advisers, investors etc.

## Contact details

Provide details on how people interested in your products, services or business can contact you. Also include useful links such as website address, social media channels etc. where people can find further information on you and your business.

## One-page business plan template

Our 'one-page business plan' template it is available in our resource hub at the end of the program.