



**Standard Bank**

# **STARTING YOUR OWN BUSINESS**

**A step-by-step planner to help you plan  
and start a successful business**

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# Starting your own business

## Imagine this...

You are the captain of a ship and you are sailing through uncharted waters. You're exploring new seas and trying to steer clear of any obstacles along the way – *and you are doing it blindfolded*. The only thing preventing you crashing onto the rocks and sinking your ship is luck.

Starting a new business in today's highly competitive world without in-depth planning is no different. Just like the blindfolded ship captain, the only thing preventing you crashing onto the rocks and sinking your business is luck. And luck is never a good business strategy.

This business planner is a thoroughly practical guide to starting up your own business, covering the full journey from idea to your launch. And there is no luck involved, just sound planning built on solid business principles. It's down-to-earth, easy to read and very informative. If you follow these steps carefully your business could be the next success story.

## How to use this business planner

This business planner contains three main elements:

### 1. Step-by-step guide

- It's difficult to know where to start. Should you work on your business name and logo or tackle your business structure? Does it make sense to start with the equipment and supplies you need or focus on your website? What about funding? Location? Pricing? Marketing?
- This planner takes away the uncertainties. The clear, concise, and straightforward steps guide you through every aspect of starting your own business in the right order.
- Each step covers key elements of how your business will run and helps you prevent making the critical mistakes that can doom your start-up. Never forget that the business world is an unforgiving environment, especially for new businesses.
- The steps build upon each other, so it's important not to skip a step, or complete them in random order.

## 2. Worksheets

- The worksheets that accompany each step build your business.
- They get you to think through every aspect of your business and put together a practical plan that tells you exactly what you're going to do and how you're going to do it.
- Each worksheet has a series of questions to help you evaluate and coordinate all the elements that go towards building a successful business.

## 3. Action

- No business has ever taken off on an idea. It is action that transforms the idea into a business.
- Each step in building your business requires you to take consistent and concerted action to bring your business to life.
- The worksheets are action oriented and get you to take the right actions, in the right order, and at the right time and move your business forward.

## Create a dedicated planning space

This is the most beneficial first action you can take because *where* you do your planning has a significant impact on the success of your planning. In-depth planning takes a lot of time, effort, creativity, and resourcefulness. Noise, interruptions and being uncomfortable impair your ability to plan efficiently. You need a well-organised space that is optimised for focus, comfort, and results. Here's how to create your dedicated planning space:

### 1. The basic requirements

- a desk
- a chair
- a laptop/PC
- a light source

### 2. Stock your planning space with the supplies you will need

- pens
- notebooks
- sticky notes
- highlighters
- folders
- whiteboard, etc.

### 3. Make it a space that inspires you

- photos
- inspirational quotes
- motivating posters, etc.

### 4. Create a vision board

- A vision board is a collection of images that takes all your ideas, far-off dreams and goals out of your imagination and puts them where you can see them.
- Every time you look at your vision board it motivates, inspires, and energises you. But above all, it keeps you focused on what you want to achieve.
- Be sure to place it where you will see it often throughout the day.

## My dedicated planning space

To do



1.

2.

3.

4.

5.

6.

7.

8.

*Enjoy the journey! This is an exciting and rewarding process. Yes, it takes a lot of work. And yes, there will be times you feel frustrated or anxious. But it is an immense privilege to be in a position where you are able to start your own business.*



## STEP 1

# Planning to avoid failure

## The bad news

If you're launching a small business, the odds are against you: South Africa has one of the highest failure rates of small businesses in the world. Over 70% of our small businesses fail in less than two years. Business failure isn't something you want to think about. But if you want to give your business a fighting chance it's important to understand the reasons behind the grim statistic so that you can work to avoid them.

## Why do businesses fail?

There are a multitude of things that can crush a business, but here are the 10 leading causes of business failure:

1. Launching the business with little to no planning
2. Lack of sales due to failing to understand your market and customers, or the wrong pricing, or the wrong location, or poor customer service.
3. Poor marketing that doesn't attract any attention or build any demand for your product/service.
4. Running out of money due to cash flow problems, or starting off with crushing debt, or poor financial management.
5. Underestimating or ignoring the competition.
6. The product/service lacking uniqueness and value.
7. Insufficient capital or funding.
8. Inexperienced or poor management.
9. An unprofitable business model from the beginning.
10. Damaging economic conditions.

## The good news

Most causes for business failure are avoidable. The only one on the above list that you have no say over is "*Damaging economic conditions*". This means that you have a say over 90% of the leading causes that lead to business failure. All those avoidable business failures stem from launching your business without adequate planning. Unfortunately, most entrepreneurs get so caught up in the excitement of getting started, that they rush the planning process and fail to think through every aspect of their business, leaving their business full of fatal flaws that eventually overwhelm the business, and the doors close.

*The basic principle of planning is that a business's future is to a great extent in its own hands.*

## Planning turns ideas into businesses

The purpose of planning is to successfully build your idea into a strong, sustainable business that has the best chance of success. The heart of the planning process is to avoid the reasons businesses fail by–

- confirming that your business idea will actually work
- determining your start-up and monthly costs so that you don't run out of money before everything is in place, or start off with crushing debt
- ensuring you are targeting the right customer base with the right prices from the right location
- understanding your competition so that you can be better than them and grab a good share of the market
- creating an effective marketing strategy that will attract attention, create demand for your product/service, and bring customers into your business
- defining what makes your business and product/service uniquely valuable to customers, and thus separates you from the competition
- ensuring you put good financial management systems into place.

## Entrepreneurs are made, not born

Many businesses crash due to poor or inexperienced management and many people attribute this to the owner not being a born entrepreneur. Not so. Anyone can be an entrepreneur. Entrepreneurs are made, not born... becoming a successful entrepreneur starts with mindset, is built with education, and polished with competence:

**Mindset:** ✓ clearly you have an entrepreneurial mindset as you are here, planning how to start your own business.

**Education:** ✓ planning allows you to see where you need to educate yourself on the skills you lack, or hire skilled employees, or outsource work to competent professionals.

**Competence:** ✓ we can reach the level of mastery on anything to which we commit wholeheartedly. Mastering entrepreneurial competency is created through dedication, the years of life and work experiences behind you, and the commitment to never quit learning. The planning process is one of the biggest contributors to your competency because it forces you to think through and formulate every aspect of your business which prevents you from the fatal mistake of jumping blindly into a business that is full of flaws.

## No planning = No funding

No matter how brilliant your business idea is, no-one will help fund you if you present them with the idea, but with no solid plan to back it up that clearly demonstrates that your business has a better than even chance of being successful.

## STEP 2

# You, as an entrepreneur

## Assess your skills and strengths

The success of your small businesses is dependent on one thing: You, the entrepreneur who owns the business. You are going to be the one making the decisions and your business will rise or fall based on those decisions. The quality of your decisions depends on your entrepreneurial skills and strengths (or lack thereof). So it's imperative to know yourself. What are your entrepreneurial strengths? What are your weaknesses? How will these affect day-to-day operations? But, before you assess your strengths and weaknesses, think about this –

## Focus on your strengths

We are always being told to focus on our weaknesses and work on them until we become strong in those areas. However, think about the times when you are at your best. When you're in the zone and performing at your highest level. You can be sure that it is when you are using your strengths, not when you're ignoring them in favour of trying to correct a weakness that you might never manage to master.

Success in our lives is driven by our strengths. They motivate us. Inspire us. Energise us. Drive us. So it's really quite simple: the things you're good at – do them and do them well. The things that fall outside of your expertise – don't spend hours doing what will inevitably be a bad job. Instead –

## Outsource your weaknesses

There's an excellent saying amongst entrepreneurs:

***“Focus on your strengths and outsource your weaknesses”***

Outsourcing the tasks and process that require specific skills, expertise, or knowledge that you can't handle well, does not only save you precious time and money, but it could also have a profound impact on your success.

### 1. Outsource to people who are willing to help you

Admin is a vital function for every successful small business and is extremely important. Let's say that you are absolutely hopeless at admin, but a family member is excellent at it and enjoys it – they might be willing to set up an efficient system and manage it for you.

### 2. Outsource to people you pay

If, for example, you really are not any good at bookkeeping, struggling endlessly with it will not only mean wasted time better spent elsewhere, but it could also lead to financial errors and ultimate disaster. A qualified bookkeeper could do it all in no

time at all, get the job done efficiently and correctly, and allow you to see where your finances stand at any time.

The key to successful outsourcing is to be clear on the scope of the tasks and processes you wish to outsource and choosing people who you trust to deliver the results you desire. And don't forget that you can also outsource weaknesses to systems and routines, such as daily or weekly checklists.

*Remember that not all skills are equal contributors to business success. For example, if you are planning to work alone as a sole proprietor, an inability to manage staff doesn't matter, whereas having high self-motivation and self-discipline are essential.*

## My business skills and strengths

Essential skill or strength	I am good at this	I can improve this	A friend/family member can do this	I need to pay someone to do this
	✓	✓	✓ <b>Insert name</b>	✓ <b>Insert name</b>
My industry knowledge				
My industry experience				
Financial management				
Bookkeeping				
Budgeting				
Paperwork and admin				
Setting up systems				
Monitoring quality				
Marketing				
Selling my product/service				
Networking				
IT and technology				
Social media expertise				
Negotiating				
Dealing with customers				
Customer service				
Staff management				
Leadership				

Essential skill or strength	I am good at this	I can improve this	A friend/family member can do this	I need to pay someone to do this
	✓	✓	✓ Insert name	✓ Insert name
Decision making				
Attention to detail				
Willingness to learn				
Willingness to adapt				
Self-motivation				
Focused				
Open-minded				
Willing to ask for help				
Driven to succeed				
People skills				
Communication skills				
Goal-oriented				
Being organised				
Resourcefulness				
Self-discipline				
Time management				
Problem solving				
Optimistic				
Passionate				
Innovative				
Confident				
Resilient				

*Grit is the number one characteristic all successful entrepreneurs have in common. Grit is made up of passion, determination and perseverance. Grit is the ability to keep going when everyone else would have given up. No matter how many knock-backs successful entrepreneurs receive, they always dust themselves down and find an alternative route to the summit*

## How will you know how you're doing?

When you are working as an employee, your boss and performance reviews tell you how you are doing. But as a business owner it's almost impossible to know when you are stagnating or becoming complacent. Who can you trust to honestly tell you how you are performing as a business owner? It may be –

- someone who is a successful business owner
- someone with good business experience
- a business mentor
- a business professional, such as an accountant, for example.

*In business you can't take things personally. You need to hear the tough things about yourself and your skills. By being open-minded and working quickly to fill the gaps, you are far more likely to run a successful business.*

### My trusted business support person

Who will be your trusted business support person? Will you have a regular get-together for feedback? What would you like him/her to tell you about your performance as a business owner?

*To succeed in business, you must think that you will succeed. From this moment on, picture yourself as a successful entrepreneur. Success begins with you believing in yourself, believing in your business idea, believing in your ability, believing that success is possible. Living success can take your business to the next level.*







9. Who do I expect to buy my product/service?

10. What evidence do I have that people will buy my product/service?

11. How will I tell these people about my product/service?

12. How am I planning on giving my customers the service they expect?

13. Who is my competition?

14. How do I intend being better than my competitors?

## Why will your business be a success?

Write down 10 reasons that you are reasonably sure indicate your business idea is going to work.

### 10 reasons why my business will be a success

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

## What are your business values?

Every successful business has strong values. They are the things that you believe as a business owner are important in the way you live and work. They determine –

- how you will run your business
- how customers will be treated
- how you will act as the owner
- how staff should behave
- how work should be done
- how everyone should treat each other at work.

Your values guide all of your business's actions. Below is a long list of the most important business values. Take a look through them and see which of them really speak to you. Of course, ALL these values should be a part of any business's values system. But you need to pick those that truly reflect what you strongly believe about running your business. However, simply ticking boxes is a next to useless task. You need to reflect on how you will truly live them every day. For example, it's not enough to believe that reliability is an important core value unless you reflect on exactly *how* you will show customers that you can be relied upon in any situation.

Passion

Reliability

Honesty

Innovation

A will to win

Kindness

Friendliness

Uplift others

Everyone counts

Pride in our work

Do the right thing

We grow every day

Fast is better than slow

Constant improvement

We succeed as a team

Embracing community

Never stop learning

Deliver WOW through service

We treat everyone with respect

Caring for people and our planet

Being present in everything we do

A great team and winning culture

We do what's right. Always.

We act with integrity  
Delivering our very best in everything we do  
Action is what we are all about  
Right first time, every time  
Trust is the foundation of our business  
We respect each other and celebrate our diversity  
We take pride in delivering quality and value for money  
Respect for the rights, differences, and dignity of others  
We are accountable for our actions and conduct in the workplace  
Creating a culture of warmth and belonging, where everyone is welcome.

*A business without values isn't really a business. How can you build a great business and deliver excellent customer experiences if you have never defined what's important to you?*

## My business values

These are my business values and how I will live them:

## Build a brand, not just a business

A recognisable brand is one of the most valuable assets you can possess. As a small business, you may be competing against big brands with loyal customers and huge marketing budgets. You have to stand out with a strong brand of your own.

The best way to brand your business is to think of your brand as your business's personality. For instance, the personality of an accounting business is going to be very different to that of a plumbing business and thus their branding is going to be very different, too. (Many people think that their logo is their brand, but it is actually your brand's visual identity.)

What personality traits do you associate with your business and that you want to convey to customers?

## Some branding ideas

- Charming and friendly
- Innovative and creative
- Adventurous and exciting
- Dependable and reliable
- Happy and fun-loving
- Glamorous and feminine
- Caring and supportive
- Nature and the environment
- Down-to-earth and wholesome
- Green and watching our carbon footprint
- Inexpensive
- Exclusive
- Convenient
- Outdoorsy
- Sophisticated
- Classic
- Quirky
- Feminine
- Professional and solid
- Cutting edge
- Old-fashioned charm
- Trendy and cool
- Youthful and sassy
- User-friendly
- Edgy and up-to-date
- Rugged and masculine

*Your brand is your promise to customers, so it is crucial to integrate your branding into every aspect of your business.*

## My brand

1. How would I describe my business's personality?

2. What do I want my brand to say about my business and my product/service?

### 3. What is my brand?

## What does success mean to you?

Outlining what success means to you allows you to plan and shape your business strategy in order to achieve that success. There are many different ways to define success. In fact, success is never just one thing. It is usually a fusion of money, your lifestyle, your family, your goals, your personal values, and what you hope to achieve with your business long-term. Here are some examples to get you going...

- Running a highly profitable business; earning lots of money.
- Being flexible and independent.
- The freedom to shape your business around your life and other commitments.
- Doing what you love, spending every day enjoying work.
- Making a difference, whether that's through helping people, helping animals, or helping the environment.
- Not having to work fulltime once your business gets to the point where you can hire staff to manage it for you.
- Maintaining a healthy life/work balance.
- Becoming a leading light in your industry.
- Having a positive impact on your employees, customers, your community, and our planet itself while also earning enough money to live a comfortable life.

**This is what success means to me**

## What is your vision for your business?

Right now, what is driving you to bring your business idea to life is the vision you have of your business and the future – of where you want to be in the future, what you aim to achieve, the success you'd like to enjoy, and the impact you'd like your small business to have on the world. That vision is extremely powerful – it is motivating and inspiring you to launch your business.

Capturing your vision in words and keeping it prominently displayed is absolutely critical. It will guide your strategy and give you clarity when making critical business decisions that impact your future. In business, there will always be something to test your resolve. From the entry of a new competitor to a decline in profit margins, things will inevitably happen. It is easy during anxious times like this to make hasty or ill-advised decisions. This is where your vision statement is important. By referring to it, you can prevent the ship from veering off course and heading in an entirely different – and potentially disastrous – direction.

*Your vision reflects the heart of your business. And when times get tough, it is about weathering the storm clouds and ensuring that you don't compromise your original vision or principles.*

### My vision

*As an entrepreneur, your most crucial asset is your health. It may seem doable to consistently work over 50 hours a week, skip sleep, not exercise, or put healthy eating aside, but failing to take care of yourself can have far-reaching effects on your business. Your health has to be a significant priority. Get enough sleep, exercise, and eat a healthy diet.*

## STEP 4

# Your business structure

## How will you structure your business?

Selecting the right business structure from the outset can spare you a lot of headaches later down the line. Whether you are going it alone or part of a group starting a business together, you need know the benefits and drawbacks of each structural type. Your options follow. (Under the new Companies Act of 2008, Close Corporations (cc) can no longer be registered and they will be phased out over time.)

### 1. Sole Proprietorship

A sole proprietorship is when a single person owns and runs the business. This is the simplest form of business entity because the business is not separate from you as owner.

#### *Advantages:*

- As no registration is required, it is quick and simple to set up, and you can give your business a trading name.
- You maintain 100% control and ownership of the business.
- You are entitled to all of the profits.

#### *Disadvantages:*

- You, as the owner, assume all the risk for the business. Your assets will be seized to pay for business debt, and you are personally liable for any obligations.
- If you wish to include another owner in your business, you must dissolve the sole proprietorship and form a new business entity.

### 2. Partnership

A partnership is when two or more co-owners run a business together.

#### *Advantages:*

- With more people comes more knowledge and expertise as partners share specialised skills and resources.
- Partners pool their money towards a common goal, so you'll have more capital and cash to work with. You share the financial burden and expenses of running the business
- Having partners means there is a distribution of labour, and you'll have a better work-life balance as there are others to assist you with the workload.



**Disadvantages:**

- Everyone is liable for debts whether they were caused by other partners or not.
- You have to share control of the business with your partner(s).
- Dealing with others is not always easy, there could be a falling out or an argument, which can strain the relationship between you and your partner(s).
- If you ever want to sell your business, this could prove difficult if others don't want to sell.

**3. Pty Ltd - Proprietary limited company**

A private company, Pty Ltd, or proprietary limited company, is a separate legal entity. So even if you launch your business single-handedly, this type of business is registered as a separate legal entity. There are many legal requirements when setting up a private company and it is highly advisable to use a professional.

**Advantages:**

- It gives you a professional image.
- It allows several people to share in the ownership of a business and makes it easier to sell portions or all of it to future buyers.
- Review by an accountant can help ensure that you are running things properly and following the law.
- Debts of the company belong to the company; your personal assets are safe. And anyone acting recklessly or fraudulently can be personally liable for all or any debts of the Pty Ltd.

**Disadvantages:**

- Administration and set-up costs are higher and will include annual fees payable to CIPC.
- Private companies have to comply with a large number of legal requirements.
- All your financial statements need to undergo annual auditing.

NB. If you are planning on starting a Non-Profit Organisation (NPO) the Companies and Intellectual Properties Commission (CIPC) can advise you on this business entity as it is a complex and lengthy process.

**My business structure**

**STEP 5**

# Name, logo, and tagline

## The importance of your business name

Naming your business may be the most important decision you make. Your business name is your identity and as such, it has a tremendous impact on how customers and investors view you. Businesses have failed in the past largely due to a name that just didn't work, so it's important to get this right. The right name also helps you stand out from the crowd in our over-crowded business world. And finally, with a good name (something memorable and catchy) you won't have to work as hard at marketing. And that means you won't have to spend as much on marketing. (Always do an Internet search to ensure that the name and domain aren't already taken.)

### Business name checklist

Here are 10 questions to help you ensure that you pick the right name.

- |  | Yes | No |
|--|-----|----|
| 1. Is the name distinctive?  |     |    |
| 2. Does your business name suit, support, and enhance your brand?          |     |    |
| 3. Is it simple? (Avoid names that are long, confusing, or hard to spell.) |     |    |
| 4. Is it a name people will remember?                                      |     |    |
| 5. Does it read quickly and clearly?                                       |     |    |
| 6. Does it sound good when it's said aloud?                                |     |    |
| 7. Does it have positive connotations for customers?                       |     |    |
| 8. Does it have meaning for customers (not just you)?                      |     |    |
| 9. Can your employees say it proudly?                                      |     |    |
| 10. Will it be able to grow with the business?                             |     |    |

If you answered "No" to any of the questions, it's time to go back to brainstorming

## Design a good logo

Your logo is extremely important and it has many very important functions:

- It's the symbol that customers use to recognise your business and brand.
- In a single image, your logo needs to tell the viewer what your business is all about.
- It must deliver an immediate and honest impression of your brand, expressing why your brand is special.
- It must suit and support your business name.
- It must grab people's attention and make a strong first impression.
- It must invite new customers to get to know you.
- It must separate you from your competitors.

Some logos are simply the business name in a distinctive text – others include the business name and an icon or symbol or picture that represents the brand. Either way, it's always best to go for something that is simple and effective. Placing your logo on all of your marketing, packaging, products, website, social media, business vehicle, etc. is a way to advertise your brand and your message consistently and everywhere. Always ask friends and family to evaluate your logo. The wrong logo can be disastrous. If your logo looks amateurish or generic or bland or silly, then so will your business.

### Evaluate your logo

Yes No

1. Will people immediately know what it is and what your business does?
2. Is it clearly tied to your brand?
3. Is it simple and memorable?
4. Will your customers be able to remember it?
5. Is it the right colour? Colours carry a very powerful message – what will your colour choice say to customers?
6. Is it unique? Does it set you apart from your competitors?
7. Will it appeal to your target audience?
8. Will it grow with the business?

If you answered "No" to any question, it's time to go back to the drawing board.

# Create a memorable tagline

A tagline is a short and striking one-liner catchphrase that summarises what your brand is all about. A tagline must catch someone's attention in seconds and serve as a statement of your brand on its own. The right tagline gives customers an emotional connection with your brand, thus making them feel like they know you.

Taglines are challenging to create. You need to capture the essence of what sets your product/service apart from that of your competitors, or what it is that makes your business different from your competitors' businesses... in around seven words max! Nothing easy about that!

*In an overcrowded market, a creative and unique tagline can be the difference maker. A great tagline will make your target customers remember you before thinking of any other business.*

## Developing a unique and memorable tagline

### 1. What do you want your tagline to say?

Jot down the broad ideas that you want your tagline to say about your product/service/business/brand so that you can develop your tagline from them

### 2. Brainstorm as many taglines as possible

Note the words that communicate the emotion(s) you want your brand to elicit from your audience. Connect these words into phrases. Keep the taglines short. If they are too long, try to cut out redundant words like "the" or "and".

### 3. Select the one that fits best

Here are some questions to ensure you have a unique and memorable tagline:

Yes No

- a. Does it look good (short and striking)?
- b. Does it sound good when you say it out loud?
- c. Will it appeal to your target market, not just you?
- d. Is it memorable?
- e. Does it communicate the unique value of your brand?
- f. Will it elicit the right emotional response from customers?

If you answer “No” to any of the questions, it’s time to go back to the drawing board.

*Question everything. Question yourself, your ideas, your strategy, your plans, and your decisions. This is a critical skill that will ensure that you are constantly driving yourself to be better tomorrow than you are today. By challenging yourself at every turn you will continually improve and ensure you are always on the right path.*

## STEP 6

# Location, equipment, and supplies

## Your business location

Choosing a business location is one of the most important aspects of starting a small business. The right location means everything. The wrong location can be a disaster. Businesses have closed all because of a poor location.

Below are analysis checklists for both a commercial and a home-based location. Consider the negative answers carefully. They are telling you something important about the location: either you can do something to change the negative aspect, or it is a complete deal-breaker that will compromise your business success, and it's time to look for a new location.

*You might have the most exceptional and irreplaceable product/ service on earth, but if you are located in the wrong place and no-one comes to your business, it won't make any money for you. This is why it is so important to conduct a thorough business location analysis.*

## Commercial business location analysis

1. What does my business require from its location?

2. Does the location support my brand and image?  
If "No", what can I change?

Yes    No

- |   |     |    |
|---|-----|----|
| 3. Will the location appeal to my target customers?<br>If "No", is there anything I can change to make it appeal to them?         | Yes | No |
| 4. Is the location convenient for my target customers?<br>If "No", is there anything I can change to make it more convenient?     | Yes | No |
| 5. Is it easy to find?<br>If "No", what can I do to make it easier to find?   | Yes | No |
| 6. Is parking close by?<br>If "No", is there anything I can do to make it more parking-friendly?                                  | Yes | No |
| 7. If I have employees will they be able to get there easily?<br>If "No", what can I do to make it more convenient for employees? | Yes | No |

8. What other businesses are nearby? You don't want to be right next door to a competitor. But certain other businesses may attract customers for you.

9. Does the location give my business the potential to grow? Yes No  
If "No", what can I do to give my business the opportunity to grow?

10. Is the location safe? Yes No  
If "No", what can I do to make it safer?

11. Can I afford it? Yes No  
If "No", can I negotiate? What else can I do to make it affordable?

12. What needs to be done to get the location ready for business? Cost



## A home-based location

A home-based business will save you money but be sure to consider all aspects of the business. What impact will your business have on your family? What impact will your family have on your business? Will you be constantly disturbed? If you need to project a professional image, you can't have children running around or dogs barking.

Also consider the impact your business will have on the neighbourhood. Doing IT for clients won't pose a problem for anyone. But endless cars coming and going, customers streaming in and out, unacceptable noise, unpleasant odours, parking problems and other factors could cause complaints to be registered against you and force you to relocate your business.

*The support of your family is essential if you want to create a successful home-based business so it's vital to fully involve them and take their opinions into account.*

### Home-based business location analysis

1. What does my business require from its home-based location?

2. Does it support my brand and image? Yes    No  
If "No", what must I change?

3. Does the location give my business the potential to grow? Yes    No  
If "No", what can I do to give my business the opportunity to grow?

4. Will I be able to run my business efficiently at home?  
If "No" what must I do to change this? Yes No
5. Will my business have a negative impact on the rest of my family?  
If "Yes" what can I do to change this? Yes No
6. Will my business have a negative impact on my neighbours?  
If "Yes" what is the impact and what can I do to change this? Yes No
7. What needs to be done to get the location ready for business? Cost

## The equipment and supplies you need

You need to determine all the equipment and supplies that your new business will need. The equipment and supplies you need are a major part of your start-up budget. You do not want to blow your entire start-up budget through not thinking this through carefully and buying everything you think you may possibly need. Conversely, you do not want to start your business and then realise that you don't have the right equipment and supplies – and now you do not have the money to buy them.

For these reasons, list *everything* you will need to run your business – right down to the folder you will keep receipts in. And make sure you list the stuff you already have, such as your cell phone, and the coffee mug you are planning to bring from home.

*When it comes to equipment and supplies, there are the “must haves” and the “nice to haves”. Small businesses have a bad tendency to waste their funds on unnecessary “nice to haves” such as new laptops, the latest smartphones, etc. Unless you have unlimited funding, over-spending on the “nice to haves” will plunge your business into financial trouble before you even open your doors.*

The equipment and supplies I need

# Sourcing your equipment and supplies

No matter how small your business, if you're looking for funding then buying all your equipment and supplies brand new is out of the question. You need to be creative and resourceful. You will be absolutely amazed at how much you can get without spending a lot of money.

Funding is tough to acquire. When you approach investors for funding you will make a very positive impression when they see that you are thrifty and responsible and acquired a lot of your equipment and supplies through being creative and resourceful... rather than just asking for the money to buy it all.

## 1. What do you already have that you can use?

If you scratch around at home you might source a lot of stuff that would otherwise take precious funds to buy.

## 2. Buy used and shop around for the best prices

You can get excellent deals at second-hand shops, on Facebook pages and on the Internet. And it never hurts to bargain.

## 3. Reuse, repurpose and recycle

These days turning old stuff into new is the way to go! There are literally hundreds of ways you can reuse, repurpose, and recycle:

- Restore old furniture with a few repairs and a lick of paint.
- Other old furniture can be repurposed, such as painting old drawers and hanging them on the wall for display or storage.
- Pallet furniture can be stunning! Pallets cost next to nothing and with a little creativity can be turned into amazing shelving, chairs, display tables... pretty much anything.
- Repurpose items such as crates, wooden boxes, etc.
- Building sites usually have tons of materials that they send off to the dump.
- Big businesses often have old stuff lying in the back that they would love you to take away turn into something useful.

## 4. Ask around

Ask family and friends if they have anything they would be willing to donate to your business. See if any businesses might be interested in donating items (and it's always a good idea to ask for small items, not big expensive items).

*Your furnishings must fit the image of your business. Old and tatty furnishings will give your business an old and tatty image. Creative and innovative furnishings will give your business a creative and innovative image.*

## Equipment and supplies you need to buy

Now that you have sourced as much as possible, list all the equipment and supplies you will have to buy. If you have been very resourceful the list ought to be reasonable. If it's a very long list... re-think the above step!

*Do NOT guess on costs. The costs have to be 100% accurate or your budget will be nothing more than a nonsense document.*

### Equipment and supplies I need to buy

Item

Cost

TOTAL

## STEP 7

# Your business team

## Hire the right people

Hiring the wrong person can be catastrophic for your business. Your team can make or break your business. The right team can help elevate your business to the next level. But *one* rotten apple in your team can have your business spiralling the drain in no time at all, whether it's through not doing their job correctly, laziness, dishonesty, or having a negative impact on customers or other employees. It is easier to avoid hiring the rotten apples than trying to get rid of them. Here are some tips to help you:

### 1. Employees must bring added value to the business

Your business needs someone who is eager to drive the business forward. A great team of passionate individuals will give your business every chance of succeeding. The opposite is also true.

### 2. Look for ambitious self-starters

No matter what position you are trying to fill; you should be looking for ambitious self-starters. If you have to micro-manage an employee because they are not self-starters – you'd be better off doing the work yourself.

### 3. Never hire 'those' friends or family members

We're talking about the ones who have never been able to hold down a job for more than a couple of weeks and then blame their employers. It may be hard to say "no" but say it. Loud and clear.

### 4. Always check references

You do not want to hire someone who was fired from their last job for stealing or using drugs on the job, or is incredibly lazy, or has a rotten attitude.

### 5. Have a probation period

A probation period is a trial period for new employees and is an excellent idea. Probation periods can last for a month on up, after which the employee becomes permanent or leaves.

## Have a good employee contract

If you hire people on a verbal agreement, it can go very wrong. Many small business owners want their staff to trust them, and as such, they feel that a documented contract is unfriendly or too formal. What they don't realise is the mess that can result if the relationship turns sour. Always draw up an employee contract.

Here are the details the average contract includes:

1. The employee's full details
2. Job title
3. All the duties and responsibilities
4. Wages – the amount and when it is paid
5. Hours of work each day
6. Overtime (if applicable)
7. Sundays and public holidays work (if applicable)
8. Breaks during work (lunch, tea, etc.)
9. Annual leave, sick leave, and maternity leave
10. Termination of employment (the written notice to be given by either party).

*Have a good onboarding process. Regardless of the positions, have process in place that introduces new employees to your business, your values, your customer service policy, and the duties of their job so they become productive and contented members of the team.*

## What positions do you need to fill?

What employees do you need? Include market-related wages you will pay.

### Positions I need to fill

POSITION:

Job description:

Wages:

---

POSITION:

Job description:

Wages:

POSITION:

Job description:

Wages:

---

POSITION:

Job description:

Wages:

---

POSITION:

Job description:

Wages:

---

POSITION:

Job description:

Wages:

---

POSITION:

Job description:

Wages:



## Who else do you need on your team?

Your business team is more than you and your employees. Depending on your business and your personal circumstances, you may need these people on your business team:

- Accountant
- Lawyer
- Business coach/mentor
- Website designer/host/fixer of website problems
- A real estate agent if you are renting
- Experts related to your product/service, etc.

### Other people I need on my team

*One of the costliest mistakes that entrepreneurs make is in not letting go of underperforming employees as quickly as warnings signs begin to appear. Entrepreneurs generally possess good instincts, but they are often hesitant to follow it when it comes to firing someone. But the cost of not taking action is too high.*

## STEP 8

# Get your pricing right

## Pricing is never easy

Pricing your product/service is never an easy task. If you price them too high, customers will not buy them and put you out of business. If you price them too low, you will not make enough profit to stay in business or customers will assume your product/service is poor quality and not buy. Setting the right price for your product/service allows you to maximise profits while maintaining a good relationship with your customers.

It's important to get your pricing right for start-up because you don't want to raise your prices in a couple of months' time. There is always some sort of a backlash when prices go up and the backlash with a new business could be devastating.

## The four basic methods of pricing

There are four basic methods of pricing your product/service, and the best choice depends on your type of business, your product/service, what influences your customers to buy and the nature of your competition. Regardless of what method you use you need to know the market, your customer, the competition, and your costs.

### 1. Cost-plus pricing

This takes the cost of producing your product/service and adds the mark-up amount that you need to make a profit. This is usually a percentage of the cost. It is important to remember that 'cost-plus pricing' ignores value. It is also very easy to overlook hidden costs, so your true profit per sale is often lower than you realise. It is also difficult to keep changing your prices based on fluctuating costs as customers don't like prices that fluctuate wildly.

### 2. Value-based pricing

Value pricing is customer-focused pricing, meaning a business bases their pricing on how much the customer believes a product is worth. You can do a lot to increase the perceived value of your product/service because it's about the customers' total experience (which we discuss in the next step).

### 3. Competition-based pricing

Competition-based pricing means you set the price of a product based on what the competition is charging. This pricing method is normally used by businesses selling similar products, since services can vary from business to business, while the features of a product remain similar. If there is high competition, you can either keep prices low to compete effectively or increase the value you are offering. If competition is low, the prices may be kept higher.

## 4. Charge per hour pricing

This pricing is often used by service-based businesses and independent contractors. When using this method, it's important to factor in all your business costs and a wage for yourself.

*There is another common method of pricing: Thumb-suck pricing. This is when you simply guess and suck your prices out of your thumb. You're not likely to succeed if you choose this option.*

## Three other influences on your pricing

Here are three other influences to take into consideration when pricing your product/service:

### 1. Location

Location can work both ways: A small business in a busy part of a city can charge more than a similar business in a small rural town simply because city people are more likely to be willing and able to pay a higher price. On the other hand, if you are the only business in a small rural town offering an essential product/service you may be able to charge a higher price.

### 2. Reputation

Never underestimate the power of an unbeatable reputation. For example, if you offer a service and are always willing to take on last minute jobs, and not only deliver on time but also deliver excellence, you will be able to charge higher prices.

### 3. The value of your product/service

It's important to know the difference between cost and value, as it can allow you to charge higher prices. This is the difference between cost and value:

- The *cost* of your product/service = the amount you spend to bring it to the customer.
- The *value* of your product/service = what your customer believes the product/service is worth to them.

Here's a simple example: Let's say that the cost for a plumber to fix a burst pipe at a customer's home in the middle of the night is R50 for travel, R100 for the cost of the new pipe and an hour's labour at R300. However, when the plumber is there within minutes and immediately contains the flow of water, the value of the service to the customer – who has water leaking all over the walls, furniture, and carpets – is far greater than the R450 cost, so the plumber may decide to charge a total of R600, which is in line with the value of the service to the customer.

*When it comes to pricing, remember that:  
(a) you are in business to make a profit,  
(b) it is much easier to lower your prices than to raise them  
(c) only thorough research will help you to determine if your pricing is right.*

## Pricing my product/service

1. My pricing method
2. Have I covered all my costs?  
If “No” – what must costs are missing?
3. If ‘per hour’ pricing, have I included decent wages for myself ?  
If “No” – what must I change?
4. Is my pricing reflecting the value of my product/service to customers?  
If “No” – what must I change (pricing/product/service/customer service, etc.) to add the value my customers will want and expect?

5. Will my target customers be willing to pay this price?  
If “No” – what can I do to rectify this?

6. Will I make a good profit?  
If “No” – what must I change in order to raise my profit margins?

7. Am I sure I am not pricing myself out of my market?  
If “No” – what must I change?

8. Am I remaining competitive?  
If “No” – what pricing changes must I make?

## STEP 9

# Features and benefits

## People buy benefits, not features

Features are the facts about your product/service. Benefits are why that feature matters for your customers. No matter how amazing a feature may be, people buy the benefits the feature provides. Let's say you live in Cape Town. You go into an umbrella shop and the very friendly owner shows you a particular umbrella that's pricier than the others and tells you about its amazing features: a 14mm carbon fiberglass shaft, double carbon fiberglass ribs supporters, high-density Pongee fabric and a bearing weight of 100kg. You think to yourself, "So what?"

Now imagine instead that the umbrella man tells you about the benefits those features provide: this particular umbrella has unbreakable spokes, will stand up to the fastest winds you'll ever find yourself in, and the fabric can withstand very heavy rain – so not only will it keep the rain off you, but it also won't blow inside-out and break in Cape Town's fierce winds. You look outside at the howling wind and lashing rain... sale made!

Describe the features of your product/service and figure out *every* benefit (big and small) they offer. Remember that a benefit may be obvious to you, it may not be obvious to customer.

*Benefits answer the question: "So what?"  
and give customers a reason to buy.*

## Features and benefits

Features

Benefits

Features

Benefits

## Your USP (Unique Selling Point)

Your USP refers to the unique benefit of a feature of your product/service that enables it to stand out from competitors. Your USP tells customers why they should buy from you and not from the competition. Your USP prevents you from getting lost in the crowd. As a new business start-up highlighting your USP will give you a huge advantage and make you stand out in the mind of your customers.

**My USP**

Look at the features and benefits you have just listed. What are the unique features and benefits the customer will receive from using your product/service?

## STEP 10

# Market research

## Don't be put off by the term "market research"

Market research. It sounds complex and costly and something only huge companies with huge bank accounts can do. It isn't. It's a straightforward process. It's absolutely something you can do on your own. No big bank account required. Its concept is very straightforward: all it means is that you gather information that allows you to understand your industry and zero in on –

1. your target customers
2. your competitors
3. your product/service.

Market research answers these questions for you:

1. What is the demand for my product/service?
2. Is my pricing competitive?
3. Who are my target customers?
4. What will make them purchase my product/service?
5. What objections could they have to my product/service?
6. What will attract them to my business?
7. How do I get them to hear of my product/service?
8. What will make them choose my product/service over that of my competitors?
9. What changes do I need to make to my service/product to ensure it meets the needs, wants and expectations of my target customers?
10. Who are my competitors and who is buying their product/service?
11. What are their strengths and weaknesses?
12. How can I be better than my competitors?

It's not rocket science to see that your business isn't likely to succeed if you don't know the answers to these questions. Not bothering to do their market research is at the heart of why many entrepreneurs fail early on. Don't fall victim to the trap that plenty of entrepreneurs fall into – falling in love with your product/service and thinking it is guaranteed to be a huge hit and thus neglecting to find out if that is actually so before launching your business.



# Market research on a shoestring budget

Big corporate companies hire high very expensive market research companies. You have to do it for yourself. Here are some approaches that cost very little:

## 1. Chat with people individually

Just make sure they're not family and friends who are your biggest cheerleaders. You want to talk to people who would be your potential customers. And they must feel comfortable giving you negative feedback.

## 2. Hold focus groups

You can get a big chunk of information from multiple people in just an hour or two if you host a focus group.

## 3. Use social media to crowdsource your research

Create a Facebook group and include surveys and info for people to comment on

## 4. Do Internet searches

Research similar or competing products. Read online reviews.

## 5. Run online surveys

Asking a lot of people the same questions can generate really dependable data.

## 6. Visit your local and provincial tourism offices

They can be a very rich source of information. Visit them in person, on the Internet or telephonically.

## 7. Check out your competition

Look at their websites. Check out their promotions. Conduct your own "mystery shopper" surveys. Park opposite their business and observe how many customers enter. How long do they stay? How many come out with purchases? Go in and browse the business. Check out their product/service. Check their pricing structure. Check out their customer service.

## 8. Do some testers

Put on some food and drinks and invite people to come around and test your product/service.

## 9. Talk to business owners on the opposite side of South Africa

If you are in Cape Town, talking to someone with a similar business in Polokwane is far enough away that you won't compete. Tell them what you're doing and ask if you can talk about the industry.

## Zero in on your target customers

Your target customers are the people most likely to buy your product/service. Your business will only be profitable if you have a good base of customers who want and need your product/service.

It's important to note, you aren't stopping others outside your target market from buying from you. Instead, you are choosing to focus most of your efforts on a group that represents your "ideal customer". Once you understand your target customers, you can ensure that your product/service is tailored to their specific needs and wants. Then you'll have a satisfied pool of customers who will likely come back for more and promote you through word-of-mouth. Before you begin your market research make sure you are avoiding –

## The 3 biggest mistakes you can make

Unfortunately, many new businesses make three fundamental mistakes that can have crushing consequences. They think –

### 1. **EVERYONE is a potential customer**

Not so. Let's say that you're planning to start a restaurant and you think everyone is a potential customer and thus you plan on "pleasing everybody". However –

- a. Some customers are 30 years old and older. They are wealthy, much more concerned with healthy eating than cheap eating, they appreciate good food and wine, and they like a quiet atmosphere.
- b. Some customers are 15 to 30 years old. They have limited budgets, and like a place with low prices, fast food and loud music.

You can immediately see that if you try to please everyone you'll end up pleasing no-one! When you try to target everyone, you actually end up pleasing no one. Your food, atmosphere, music and prices must target one of the specific groups.

### 2. **Everyone NEEDS my product/service, therefore they'll buy it**

Not so. Even if your product/service CAN help just about everyone on the planet, not everyone is going to buy it. Let's say you are passionate about teaching Pilates and are opening a home-based gym offering Pilates classes. You spend a lot of time and money targeting committed couch potatoes. After all, do committed couch potatoes *need* to be doing Pilates? No question. Do they *want* to be doing Pilates? Probably not or they wouldn't be committed couch potatoes.

### 3. **Everyone WANTS my product/service, therefore they'll buy it**

Not so. Certainly, everyone might want what you're selling, but not everyone will be able to afford it. And indeed, your price may exclude a large number of people. So, if you target a customer base that *desperately wants* what you're selling but can't afford it, you're not going to be in business very long.

# What are demographics and why are they important?

It's vital to understand that not all customers have the same needs or behave the same way toward products. Demographics is the data about your target customers, such as the age, gender, employment, education, income, etc. Here are some examples of why these demographics are important:

- A married woman with kids will need different marketing messaging than a senior male with no family.
- Men and women generally have different likes, dislikes, needs, and thought processes. Their buying patterns and response to marketing is generally different.
- Someone living in a rural area will respond to messaging that's different than someone living in a big city.
- Millennials and retirees think and act differently and will respond to very different marketing messages.
- Single individuals tend to prioritise themselves, while newly married couples are likely prioritising each other and their homes. Couples with several children have different needs than those who just had their first child.
- Individual cultures have different interests, preferences, attitudes, and beliefs which impacts their response to marketing.

Defining your target customers' demographics help you to understand exactly who your customers are and what they want and need from you

## My target customers

These are the questions your market research must answer:

1. Who are my target customers?

Age:

Location:

Gender:

Income level:

Education level:

Marital/family status:

Occupation:

Ethnic background:

Personality:

Values:

Interests

Hobbies:

Lifestyles:

2. How many people are there who fit my target market criteria?
3. Where do my target customers come from – that is, what's my trading area – my community, my town, surrounding towns, online, etc?
4. What will motivate them to purchase my product/service?
5. What do they *need* from my business and product/service?



# Zero in on your competitors

One of the most overlooked and intentionally ignored parts of a new business is the analysis of the competition. Don't kid yourself. You have competition. Everyone has competition. It's a fundamental reality of being in business. And ignoring them, or understimating them, is the worst mistake you can make. By carefully researching your competitors you can evaluate what they are doing right and what they are doing wrong – and thus determine exactly what you need to do in order for your business to leave them in your dust!

There are three types of competitors:

## 1. Direct competition

These are the businesses who offer the same product/service as you and compete in the same market. They are your biggest threat.

## 2. Indirect competition

These are the businesses who offer a different product/service but compete in the same market to satisfy similar customer needs. Identifying how you can leave your direct competitors in the dust has the knock-on effect of making your product/service more attractive to consumers who may otherwise select to spend their money with your indirect competition.

## 3. Stealth competition

These are competitors who serve the same customers but in different and often unexpected ways. Their product/service usually serves as alternatives to yours. Let's say that you're starting a bakery. A stealth competitor can be grocery aisles, where customers can buy bake-it-yourself mixes. Dining out and entertainment are other stealth competition. The knock-on effect mentioned above can also help towards directing sales your way.

These are the questions your market research must answer:

### My competitors

1. Who are my direct competitors? (Don't forget direct online competitors.)  
And how long have they been in business?

2. Who are my indirect competitors? (Don't forget indirect online competitors)

3. Who are my stealth competitors?

4. What are my direct competitors' major strengths?

Strengths

How can I match or better them?

5. What are my direct competitors' biggest weaknesses?

Weaknesses

How can I use this to my advantage?

6. How do their prices compare to mine?  
And what does this tell me?
  
7. What sort of customer experience do people get with them?  
And what does this tell me about mine?
  
8. What are their Internet and social media presence like?  
And what does this tell me about mine?
  
9. How strong are their brands? How recognisable?  
And what does this tell me about my brand?



10. What's their marketing like?

And what does this say about how I must market my product/service?

11. What will make customers choose my product/service over that of my competitors?

12. How can I be better than these competitors? (Challenge yourself to find 10 ways!)

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

13. How can I stay on top of these competitors in the future?

14. What can I do to prepare my business should a big competitor enter the market?





## Zero in on your quality control

In business it all boils down to quality – the quality of your product/service and the quality of your customer experiences (which pretty much involve every aspect of your business). Therefore, quality control is a key component of a successful, well-run business. Defining your quality control helps to ensure your small business delivers a consistent product/service and customer experience. Quality control is very much a process. You simply need to:

- (a) set your quality standards and
- (b) figure out how you will ensure those standards are met.

Of course, you want to ensure quality in every aspect of your business but make the the most important measures – those that have the biggest effect on your profits and your customer experience – your first priority. This will ensure satisfied customers and also keep you and your team from becoming overwhelmed. What are your quality standards? And how will you ensure that they are adhered to all the time, every time?

*Quality standards need to be non-negotiable.  
Otherwise, don't waste your time defining them in the first place.  
And remember there's always room for improvement when it comes to  
quality and making small changes can pay off in big ways.*

**My quality control**

## STEP 11

# Customer experience

## It's all about a total customer experience

Attracting and keeping customers is not easy. But losing them is very easy. Studies indicate that 50% of customers will switch to a competitor after one bad experience. In the case of more than one bad experience – that number snowballs to 80%. And if they tell their friends about it on social media, untold numbers of people will think badly of your business. Bottom line... delivering great customer experiences costs you nothing. Delivering awful customer experiences can cost you your business.

## What is a customer experience?

Customer service is just one part of the entire customer journey, while customer experience encompasses all the interactions between your brand and a customer. A customer experience is the total experience a customer has with your business – and it includes *every* interaction, no matter how brief and even if it doesn't result in a purchase. It includes your marketing that they see before they become a customer, the sales experience, the customer service, the quality of the product/service itself, and the customer service they get after the purchase. And never forget that just because a customer didn't purchase your product/service today doesn't mean they won't be back tomorrow! Or, if they got a shoddy customer experience when you realised they were not going to be buying, that they won't be saying negative things about your business.

## The rewards of great customer experiences

When you give your customers the best customer experience in town you have happy customers. Happy customers will speak highly of you and want to return, because you made them feel good. Happy customers will recommend your business to others. Having the reputation for consistently great customer experiences will make you stand out from your competitors.

*The most successful businesses deliver the most value. It is that simple. If you're not adding more value than your competitors, then you're going to lose business to them. You do this by always over-delivering on every aspect of your customer service.*

# Providing great customer experiences

Here are 10 ways to help you provide the best ever customer experiences. Think about the fantastic customer experiences you have had and how they can help you make the following ideas even better.

## How I will offer the best ever customer experience

### 1. Treat every customer like royalty

Your business depends on nothing short of the royal treatment for each and every customer. How will you give every customer the royal treatment:

### 2. Identify customer pain points... and rectify them immediately

Pain points are frustrations, inconveniences, and annoyances that customers face while interacting with your business. Identify where these may arise in your business – and how you can resolve them.

### 3. Focus on the individual, not the customer

Every customer is a unique person with their own needs and expectations. Focus on each customer as an individual, not a number. How do you intend to do this?

**4. Be polite, friendly, and attentive**

This is the most important rule. How will you ensure it happens in your business?

**5. Hire people with a service mindset**

Hire people with great people skills. And train them so that they know how to provide fabulous customer experiences. How do you intend to train employees?

**6. Deal immediately with problems or complaints**

Remain positive, helpful, friendly, and obliging, no matter how rude or angry the customer may be. Put your feelings aside and concentrate on turning a negative experience into a positive one. How will you manage negative experiences?

**7. Be consistent**

Customers want a great experience each and every time they deal with you. Consistency is the key to return business. How will you ensure consistency?



## **8. Be transparent**

Being transparent is simply being honest, ethical, and trustworthy. Saying you are those things is not enough. You have to demonstrate it. Customers deserve and expect no less. This is about values – remind yourself how you'll be clearly transparent.

## **9. Prove that you really, really appreciate your customers**

Make every customer feel special for having done business with you. A genuine and warm “thank you” goes a long way. Customers remember sincere gratitude, and it reminds them why they chose your business. How will you show your customers that you really, really appreciate them?

## **10. Never stop improving**

Constant improvement is vital to your success. Always look at ways of improving your customers' experiences. Don't just settle on what you've always done. Keep getting better! How do you intend to have a “constantly getting better” attitude?

## STEP 12

# Market your business like crazy

## The importance of marketing

Essentially, marketing involves everything you do to get your potential customers and your product/service together. Marketing generates income for your business. No matter how awesome you think your product/service may be, you still need to inform people about it and influence their buying process. Without marketing, your business might never have the chance to reach your target customers. Here are the four key reasons why marketing is so important:

1. The name of the game in marketing is attracting and retaining a growing base of satisfied customers – a critical factor in not losing ground to the new businesses, products/services that hit the market.
2. Good marketing helps you to put your product/service at the front of every customer's mind. Marketing helps make you the first option to turn to when in need of a specific product/service.
3. Once customers are aware of your business, your chances of being able to sell your product/service to them have significantly improved. What's more, once you've become visible to your audience, your business will be the name on their lips, and word of the quality of your products and services will spread. Without marketing, these sales wouldn't have been possible.
4. Any success you achieve with your business will rely heavily on having a strong, trustworthy reputation. Your ever-growing reputation needs to be built on the quality of what you offer your audience and how you offer it – and marketing is a vital component in all of this.

## Creating a solid marketing plan

Creating and implementing a solid marketing plan will keep your marketing efforts focused, prevent you wasting precious resources, and increase your sales. You have identified your target customers, analysed your competition, and refined your product/service. Now it's time to bring all of this together into a marketing plan that does its job.

There are a number of elements you can – and should – include in your marketing strategy. Fortunately, it doesn't have to be complicated in order to work. The following components will help you get your marketing plan in place.

## Build an engaging website

A small business absolutely needs a website to drive business in today's digital world. Indeed, a website is one of the best branding and marketing efforts you can offer your business. Without a website, you give up much, if not most, of your potential business because consumers will not be able to learn anything about you and your business's offerings. Here are 10 biggest benefits your small business can receive from the simplest of websites:

1. A website will attract customers to your business and make you more money.
2. A website makes you look professional. In our digital age, consumers expect you to have a website. Customers will seek you out online and having a website is one of the criteria for determining trustworthiness.
3. You can clearly showcase your product/service.
4. You can display reviews and testimonials prominently on your website.
5. You can integrate your website with Google Maps so people can find your business more easily.
6. A website works for you 24/7.
7. You can get all of these benefits without spending a fortune. These days it is simple and inexpensive to set up a website. Professional website designers can design the perfect website for you without you having to pay anything up front. They then host it for you (which you have to pay for anyway) and the hosting fee includes maintenance and updates and a bunch of vital services.

With all the competition online, it is not sufficient to just have a website. Whether your website is two pages or twenty or a multi-functional online experience, you have to have a GREAT website. Here is a checklist to help you:

1. It must be mobile responsive – this is critical for an effective website.
2. It must support and enhance your brand.
3. The pages need to be uncluttered and have a good balance of text and graphics that present a clean and simple page.
4. Use short paragraphs and bullet points to make the info more scannable and likely to be read – and ensure there are no spelling or grammatical errors.
5. Your homepage must clearly showcases your product/service.
6. Your photos must look professional. You can have a great site design, but if your product photos look terrible, your prospective customers will think twice about buying your product/service.
7. It must be easy to navigate.
8. Your contact information must be prominently visible so that visitors don't have to search for a phone number or address if they want to contact the business.



## Create a buzz using social media

Social media marketing is a powerful way for businesses of all sizes to reach customers. Your customers are already interacting with brands through social media, and if you're not speaking directly to your audience through social platforms like Facebook, Twitter, Instagram, and Pinterest, you're missing out! Great marketing on social media can bring remarkable success to your business, creating loyal brand advocates and driving sales. Starting a social media marketing campaign without a strategy is like wandering around a forest without a map – you might have fun, but you'll probably get lost, so you need to think it through carefully and formulate an effective marketing plan.

### My social media marketing campaign

#### 1. What are you hoping to achieve through social media marketing?

Here are some common goals to help you help you stay focused and ensure that you're driving the right results with your campaign:

Create a brand identity and positive brand association

Build brand loyalty

Drive traffic to your website

Drive sales and leads

Build a community around your business

Improve communication and interaction with key audiences

Boost ratings

Boost reviews

Manage brand reputation

Monitor customer feedback

#### 2. Where do your target customers hang out and how do they use social media?

3. What message do you want to send to your audience with social media marketing?
4. What content are you planning to post on social media?
5. Who will do damage control if you receive negative comments on social media?

## Marketing on a shoestring budget

Marketing your business and product/service doesn't have to cost an arm and a leg; you just need to apply creativity and initiative! Along with your website and social media, here are some ideas to get you started.

### **1. Network, network, network**

Network at every opportunity with customers, potential customers, and other business owners. Make connections and keep a record on each person you meet. Quality relationships are the keys to success. Build rapport and follow up.

### **2. Create an “elevator pitch”**

This is very important for networking. You need a great ‘elevator pitch’ which means being able to sell people on your product/service in a little over a minute.

### **3. Form industry partnerships**

Reach out to other business owners whose products and services complement yours and see if they're open to creating a cross-promotional deal with you. This can be a great way for you both to tap into each other's client bases and advertise your business for free.

### **4. Brochures or flyers**

Brochures and flyers can really work, provided they are eye-catching so people stop and take an interest in reading them, informative so people know what the brochure/flyer is advertising and where they can find out more, and convincing so that people get excited about your product/service.

### **5. Create eye-catching business cards**

Make your business cards stand out from the pack. Your business card is important for marketing because it helps people you meet remember you, your business, and the product/service you offer.

### **6. Signage**

There are all kinds of signs – and you should be using them! Signs over your place of business. Signs in your business. Signs on your vehicle. Signs announcing what's on sale. Signs saying what you do.

### **7. Run a competition**

People love competitions. The prize doesn't have to be big.

### **8. Run a Facebook contest**

Running a Facebook contest is a fantastic way to make your business stand out on Facebook. Facebook contests are highly shareable – to enter you can require that users share the post and tag other users which will put your business in front of countless potential new customers.

### **9. Email signatures**

Put your business's contact information in your email signature. It helps people connect your name and face with your business.

### **10. Design a T-shirt with your name and logo on it**

Wear it everywhere! Get family and friends to wear them!

### **11. Ask for reviews**

Review sites on the Internet make it easy for people to rate their experiences with your business. Asking valued customers to leave feedback on these sites can help promote about your business.

### **12. Use your community**

Think about your community's needs. Could you help get your name known by organising a food or clothing drive or a clean-up effort?

### **13. Ask for referrals**

A satisfied customer is often glad to refer you to their friends. Help them remember to do so by leaving them extra business cards or fliers that they can give to their friends and family.

### **14. Give back and be socially responsible**

Altruism pays back – and even if it doesn't, it's the right attitude to have. Consumers respect a brand that supports a charitable cause or sponsors initiatives that improve lives or help those less fortunate.

### **15. Get in touch with your local newspaper**

Contact your local newspaper if you organise a drive in your community. See if they want to do a feature on it. The smaller the paper, the more likely.

### **16. Offer deals or giveaways**

People love free stuff. Offering a good deal or a giveaway is a great way to get more interest and business. A small item will do the trick. The business this generates can be great and people often share the good news with their friends.

### **17. Power up word-of-mouth advertising**

Have a business culture that is so friendly, helpful, efficient, obliging, caring and supportive that customers are so delighted that they rave about your business to all their friends, family members and neighbours!

### **18. Have a great launch**

You can quietly open your doors for business one day, or you can have a great launch! A launch is a great way introduce your new business to the world and interest customers.

- It doesn't need to be expensive. It simply has to be a bright, colourful, fun event everyone remembers.
- Invite people who can make a positive impact on your business.
- Invite your local newspaper so you can get some free press coverage.
- Post photos of the event on your social media.

## **Set your marketing budget**

Knowing how much you have to spend on marketing and how to spend it is critical to the success of your business. A marketing budget will ensure you accurately calculate your marketing plan. When developing your marketing plan and budget, make sure you're only spending money on the activities that contribute to your current marketing goals. Make sure to pick options that will give you the best value while still reaching your target customers.



## My marketing plan

My marketing budget

My marketing activities and the actions I need to take to make them happen

## Monitor your sales

You need to monitor your sales closely. This will allow you to see if sales are falling and immediately figure out what you need to do to increase them. Monitoring your sales allows you to see patterns. Patterns are crucial symptoms to any business. They don't just emerge out of nowhere – they're clear signs of something going wrong or right in your sales process. Use them to rectify the former or build on the latter.

Here are two ways you can track sales –

### 1. Total sales by time period

You can track your sales on a calendar basis. You may choose to track your sales by day or week or month or quarter or year. By tracking sales by time period, you know exactly how well you're performing. You know if your sales are up versus the prior period, be it the prior day, week, month, or quarter or year. And if sales aren't up each period, you know you have work to do.

### 2. Sales by product or service

You can track your sales by product or service. This tells you exactly what's selling and what's not. Armed with this information, the most effective and simplest thing to do is to spend more time promoting what's already selling and less time on what isn't selling.

If sales have fallen, something is wrong and you need to fix it:

1. Is it your competition? Has something changed? Has a new competitor entered the market?
2. Have the needs, wants or expectations of your target customers changed?
3. Is it in the customer experience you are offering?
4. Is your marketing strategy not working?
5. Is it a staffing problem?
6. Is it something you are doing? Or not doing? Or should be doing?

**How I will monitor my sales**

**STEP 13**

# Focus on financials

## Effective financial management is vital

You cannot expect business survival and growth without effective financial management. It's not easy. It involves planning, organising, controlling, and monitoring your financial resources in order to achieve your business objectives. Good financial management will help your business to make effective use of resources, fulfil commitments to your stakeholders, gain competitive advantages and prepare for long-term financial stability. Always remember:

### 1. Your most valuable business resource is money

Managing your money is a skill you should develop before you start up anything. If you lack this skill, you'll have a short career as an entrepreneur.

### 2. Business owners must know how to work within a budget

A budget is the only way to manage your expenses and ensure that you are using your precious cash to its best advantage.

### 3. Do everything in your power to avoid spending money

Never compromise providing great value to your customers but only spend money on the absolute essentials when you need them. If you don't need it, but rather want it, it will have to wait.

## How much start-up money do you need?

It is critical to work out exactly how much money it will take to launch your business. The initial investment can be significant. If you don't keep a handle on it you could end up with crushing debt that will sink your business before you start to make good money. Not only will understanding your expenses help you launch successfully, but investors will be extremely interested in these figures as they form the basis of your funding requirements. There are four steps to your start-up budget:

### 1. List your one-time start-up costs

These are the one-time costs you incur before launching your business, such as:

- Equipment and supplies
- Inventory (if you are in the retail business)
- Signage
- Launch-related advertising and promotion
- Website development
- Licences and permits
- Rent deposit and contract fees, etc.

## 2. Determine your fixed costs

Your fixed costs are also known as overhead costs. These are business expenses that largely remain the same each month.

- Rent or bond payment
- Wages
- Insurance
- Website hosting
- Internet and phone
- Professional services, such as a bookkeeper
- Bank fees
- Electricity, water, etc
- Business vehicle payments and expenses, etc.

## 3. Estimate your variable costs

Variable costs are recurring costs that are directly related to your sales. If you're selling more products, your variable costs will go up and if your sales go down, so will your variable costs. Thus, they don't typically have a set monthly cost. For example:

- Raw materials
- Shipping
- Packaging
- Fuel and transportation, etc.

## 4. Add up and adjust

Once you know your total costs you can comb through them and see where you can cut back and save. If you are pursuing funding (or even if you're not), it is vital that you cut back as much as possible.

*Your fixed and variable costs tell you what monthly expenses you can expect. You need to have at least three months' overhead costs in the bank to keep you afloat while you get your business off the ground, as you may not make a good profit from day one.*

*NB. The worksheets that follow allow you to formulate your start-up budget. However, if you seek funding from investors, type up an "Expenses Budget" (your monthly fixed and variable costs) and attach it to your Business Plan.*

## One-time start-up costs

Expense

Amount

TOTAL

## Expenses Budget - Fixed costs

Expense

Amount

TOTAL

## Variable costs

Expense

Amount

TOTAL

## Total costs

Amount

One-time start-up costs

Fixed costs

Variable costs

TOTAL

## Review and adjust your costs

Go back through your expenses and label each item as:

1. Must-haves (necessary)
2. Nice-to-haves (optional)

Decide which costs you can eliminate, reduce, or save for later. Be ruthless when you cut back on all those nice-to-haves. And then adjust your totals.

## Adjusted total costs

Amount

One-time start-up costs

Fixed costs

Variable costs

TOTAL



## Calculate your break-even point

You simply must know your break-even point. Your break-even point is the point where your total sales equal your total expenses. This means that you're bringing in the same amount of money you need to cover all of your expenses and run your business. At this point there is no profit or loss – in other words, you 'break even'. If your revenue is above the point, you have a profit.

Here is a very basic example just to give you the idea of the formula. Let's say you're starting a small home-based cake-baking service and selling amazing baked cakes:

- You have R2,400 per month of fixed costs.
- Your variable costs for each cake are R100 for all the raw materials such as flour, sugar, eggs, icing, electricity for baking, etc.
- You'd like to charge R400 per cake since that's the going rate in the area for home-made cakes. This is the formula for calculating you break-even point:

**Break-even = fixed costs ÷ (price – variable cost)**

Sounds difficult, but it's easy! Here it is in two easy steps:

1. Price minus the variable costs:  
R400 – R100 = R300
2. Fixed costs divided by that total:  
R2,400 ÷ R300 = 8

You need to sell 8 cakes to break even. You only begin to make a profit when you sell cake number 9. As you can see without this information, being profitable is pretty much up to chance.

### My break-even point

1. Do the formula and write down your break-even point:
  
2. Is it an acceptable break-even point?  
If 'No' you need to do one or both of these to improve your profitability:
  - a. Increase your prices
  - b. Cut your costs
  
3. Adjusted break-even point:

*Type your "Break-Even Point" up and attach it to your Business Plan.*

## Your personal survival budget

Running your own business is challenging at the best of times and it gets a whole lot more challenging if you are constantly worrying about whether you can afford to pay your domestic bills. Not only is a lack of money one of the biggest stresses that affects your health, your happiness, and your family, but the need for immediate income can also lead to making the wrong business decisions. You can take a lot of pressure off yourself if you work out exactly how much you need to get you through start-up and/or tough times. This can be scary! But being in control of your finances makes you far more likely to succeed than burying your head in the sand. So, take a deep breath and dive in. Include only necessary expense (no nice-to-haves). *Type your "Personal Survival Budget" up and attach it to your Business Plan.*

*A personal survival budget shows you the minimum amount you need to take out of the business as a salary. This is based on how much you need, not how much you would like to draw from the business each month*

### My personal survival budget

Expense

Amount

TOTAL

# Cash flow is critical

Cash flow is the movement of money in and out of your business. When you have positive cash flow, you have more cash coming into your business than you have going out – so you can pay your bills. When you have negative cash flow, you can't afford to make those payments and your business cannot survive. When businesses fail for financial reasons, poor cash flow is to blame 80% of the time.

*Cash flow keeps a business alive. It is cash flow, not revenue, that keeps the lights on in your business. Carefully manage incoming and outgoing cash. The life of your business depends on it.*

Here are 10 excellent tips to help you manage your cash:

## 1. Open a business bank account

This is your single most important thing to do. You simply cannot run your business and your personal life from the same bank account. If you use the same account for business and personal expenses you'll end up in a financial mess. Pay yourself from your business account.

## 2. Keep your books accurate and up to date

Your cash flow is only as good as your bookkeeping and record-keeping. Don't let this get into a mess. Ever.

## 3. Assign someone to monitor your cash flow

Get someone you trust to help monitor and keep an eye on your cash flow for you by making sure that you're always up-to-date with the numbers and that they are 100% correct.

## 4. Always maintain an emergency fund

Every business should expect shortfalls. They happen to everyone, even with the best plans in place. Your survival will depend on if you have cash put aside to cover those shortfalls. Don't dip into your emergency fund for anything but a genuine shortfall emergency.

## 5. Keep your spending priorities straight

Prioritising spending is crucial. Knowing what's necessary vs. what's nice to have can make the difference between success and going bust.

## 6. Speed up your invoices

Invoice immediately. Make your invoices "due immediately". Chase them up if they are late.

## 7. Take 50% deposits on large orders

A deposit reduces the likelihood of a total financial loss if the customer cancels.

## 8. Be proactive

At the first sign of a problem, take action to rectify it. Don't wait. Problems grow. The bigger the problem, the more difficult it is to resolve.

## 9. Constantly look for ways to cut costs

Figuring out ways to cut costs is good practice for every business. When cash is regularly coming into your business, you might not think about cost-cutting. But always keeping on top of your expenses is the best way of managing cash flow.

## 10. Reassess, review and be realistic

Regularly "checking under the bonnet" to see how the numbers behind your business look is one of the best habits for any small business owner. By taking an honest look at your business on a regular basis you will stay aware of what's coming in and going out your business.

*You cannot be in control of a business if you don't know what is going on. With bad or no numbers, a business is flying blind, and it's only a matter of time before you fly straight into trouble.*

# Cash Flow Statement

A Cash Flow Statement, in short, breaks down how much cash is coming into your business on a monthly basis vs. how much is going out. As with your sales forecast, cash flow statements for a start-up business require doing some homework since you do not have historical data to use as a reference. However, by using your sales forecasts and your expenses budget, you can estimate your cash flow intelligently.

Here are the steps to create a cash flow statement for each month:

1. Start with the Opening Cash Balance  
(For the first month, start with the total amount of cash your business has in its bank account)
2. Calculate the Cash Coming In (sources of cash)
3. Determine the Cash Going Out (uses of cash)
4. Subtract the Cash Going Out (Step 3) from your Cash Balance (total of Steps 1 and 2).

*Type up your Cash Flow Statement and attach it to your Business Plan.*

## Sales forecast

Sales forecasting is the process of estimating the future sales of your business. It is a vital document as it is the foundation of your business's financial success. As a start-up business, you do not have past results to review, which can make forecasting sales difficult. However, if you have a good understanding of the market you are entering and industry trends as a whole, you can draw up one up. In fact, sales forecasts based on a solid understanding of industry and market trends will show potential investors that you've done your homework and your forecast is more than just guesswork.

Under-estimate sales, both in timing and amount. Your 12-month forecast should be broken down by monthly sales and here are the general steps you'll need to take to create your sales forecast:

- List the products and services you sell
- Estimate how much of each you expect to sell
- Define the unit price or rand value of each product or service sold
- Multiply the number sold by the price
- Determine how much it will cost to produce and sell each good or service
- Multiply this cost by the estimated sales volume
- Subtract the total cost from the total sales.

*Type up your Sales Forecast and attach it to your Business Plan.*

## Profit and Loss Statement

The most important financial statement any business needs is a profit and loss statement. This statement shows the revenues and expenses of the business, and resulting profit or loss, over a specific time period (a month, a quarter, or a year). By subtracting expenses from revenues, it gives a clear picture of whether your business is profitable, or loss-making.

Use the numbers that you put in your sales forecast, expenses projections, and cash flow statement to draw up a 12-month statement: Sales, less the cost of sales, is gross margin. Gross margin, less expenses, interest, and taxes, is net profit (or loss).

*Type up your Profit and Loss Statement and attach it to your Business Plan.*

## Balance Sheet

You provide a breakdown of all of your assets and liabilities in the balances sheet. A balance sheet is a snapshot of what you're worth. A balance sheet lists everything your business owns (assets) and all the debts your business owes (liabilities). When you subtract the liabilities from the assets, the difference that you get shows the net worth of the business, also referred to as equity. The more your assets outweigh your liabilities, the stronger the financial health of your business.

*Type up your Balance Sheet and attach it to your Business Plan.*

# Set up a good bookkeeping system

Let's face it, few people start a new business so they can do paperwork! Spending time adding up receipts or recording expenses is nobody's idea of fun – unless you're starting up as a bookkeeper or accountant! Unfortunately, it is absolutely vital if you want to have a successful business.

Being disorganised and putting off paperwork just isn't an option. Losing control of finances and running out of money are leading causes of business failures. Luckily, a bookkeeping system doesn't have to be complicated.

## 1. Organise your bookkeeping system

You can keep your books manually – writing it all down by hand. Or you can use accounting software. Today's software applications are designed to make the bookkeeping process easy. This really is the way to go.

## 2. What you need to record

### (a) Expenses

Record every single cent you pay out. This includes your start-up costs. Keep every receipt and invoice.

### (b) Income

Make sure you record your income accurately and on time so that you know where your business stands at all times.

### (c) Payroll

If you have employees, you need to keep this up-to-date.

### (d) Track your inventory

If you have inventory, it needs to be carefully tracked and accounted for (whether it's sitting at the back or still on a shelf). The numbers you have in your books should match by doing physical counts of the inventory on hand. If not, check into irregularities such as shoplifting, stealing, etc.

## 3. Organise your paper records

Cluttered paper records are a huge headache! Make sure you have an efficient filing system – and that you file everything at least weekly..

## 4. Organise your digital records

Digital receipts also need to be neatly organised. There are many apps that make it easier to store receipts digitally.

## 5. Create an invoice template

Set up your invoice template, whether in your accounting software, by downloading a template online, or designing your own. Include payment terms on each invoice. Strict payment terms help you get paid on time and will improve cash flow.

## 6. Set up a failsafe back-up system

If you've ever had a computer hard drive fail or lost your smartphone, you know how catastrophic it can be and how disruptive to your life. Now, imagine losing all your data for your business. Backup everything. Regularly.

### Setting up my bookkeeping system

To do

✓

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

**STEP 14**

# SWOT your business

## What is a SWOT Analysis?

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis allows you to use your strengths and opportunities to your business's best advantage as well as understand what you're lacking and eliminate the threats that would otherwise catch you unawares.

## How to do your SWOT Analysis

Assess each of the following parts thoroughly. Then analyse the results. Take your time. Dig deep. This is a powerful final tool that allows you to thoroughly assess your new business.

Here are some questions to help with the assessments:

### Strengths:

- What advantages does your business have?
- What do you do better than anyone else?
- What do you have that is unique to your business and that others don't have?
- What qualities set you apart from competitors?
- What internal resources do you have, such as personal skills and strengths and knowledgeable staff?
- What tangible assets do you have such as intellectual property, capital, assets, technologies, etc?
- What do people in your market see as your strengths?

### Weaknesses:

- What could you improve in your business?
- What do your competitors do better than you?
- What resources do you lack?
- What knowledge, talent, and skills are you lacking?
- What disadvantages do you have?
- Do you lack a unique selling point or value?



## Opportunities:

- What opportunities exist in your market or the environment that you can benefit from?
- What interesting trends are you aware of?
- Are there only a few competitors in your area?
- Is there an emerging need for your product/service?
- What partnerships/connections do you have that provide opportunities?
- Do your competitors have any weaknesses that you could take advantage of?

## Threats:

- What obstacles do you face?
- What are your competitors doing that will threaten your business?
- Are there a lot of emerging competitors?
- What situations might threaten your marketing efforts?
- Are there changes in customer needs (trends changing or fads dying, for example)?
- What shifts in consumer behaviour, the economy, or government regulations could reduce your sales?

*A SWOT analysis is also invaluable for testing out new ideas once your business is up and running. It allows you to determine whether you have come up with a strong and worthwhile idea or not.*

# Strengths

Strengths

How I can build on these strengths

## Weaknesses

Weaknesses

How I can minimise/compensate for them

## Opportunities

Opportunities

How I can seize these opportunities

## Threats

Threats

How I can counteract the threats

## Adjust your business plan where necessary

Using all the data from your S.W.O.T Analysis, go back through your business plan and address all the weaknesses and threats that you identified, as well as incorporating the solutions that you established. Make sure you address them all, down to the smallest, as opening your doors with weaknesses and threats that you have ignored is asking for trouble.

## How will you grow your business in the future?

Think about once your business is off the ground and running successfully – how are you going to grow it? It may seem a bit premature to think about growing the business while you are busy launching it, but it always a worthwhile exercise as it will help guide you once you're up and running. In addition, investors are going to be interested in seeing how you plan to grow your business in the future. After all, their money is on your ability to grow your business.

Here are some ideas to get you thinking –

- add new products
- expand your market

### Growing my business in the future

- provide additional services
- attract more customers through more high-level marketing
- sell online
- create a customer loyalty programme
- form strategic partnerships.

## STEP 15

# The legal stuff

## Statutory requirements

Whatever your structure the government will still require you to register your business, register for income tax, VAT, UIF, COID, PAYE and to apply for certain licenses depending on your industry, your size and whether you are employing staff. These are absolutely “must do” tasks. Failing to register for everything for which you are legally required to register will land you in hot water down the line.

### 1. Register Your Business

If you're setting up a private company ((Pty) Ltd), you need to register your company as a legal entity. All the information you require can be found on the CIPC website ([www.CIPC.co.za](http://www.CIPC.co.za)).

### 2. Register with the SARS

Whether you're running a sole proprietorship, a partnership or a private company, you have to be registered with SARS. If you registered a private company with the CIPC, you will automatically be registered as a taxpayer with SARS. Sole proprietors or partners need to register as provisional taxpayers directly. When you start a business, you will be required to register within 60 days of starting a business for an income tax reference number.

### 3. Register as a VAT Vendor

If your turnover is or is expected to fall within the R1 million a year or more range, you will need to register with SARS as a VAT (Value Added Tax) vendor.

### 4. Register for PAYE

If your business intends to employ one or more staff members who earn over R40,000 per year, you have to register your company for PAYE (Pay As You Earn) tax contributions. In addition, if your payroll is more than R500,000 a month, you will have to register for payment of the Skills Development Levy (SDL).

### 5. Register with the Department of Labour

All business entities that employ one or more full-time employees will be required to register with the Department of Labour. This is mandatory in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA).

### 6. Register with Unemployment Insurance Fund (UIF)

All employers must register their employees for unemployment insurance. Thereafter, UIF payments must be made monthly, either directly to the UIF or together with PAYE and the Skills Development Levy (if applicable).

## 7. Municipal compliance

You also need to consider the municipal by-laws in the respective local area where your business intends operating. Local authorities regulate issues such as zoning, noise levels, hygiene etc. and will have an impact on your business depending on which industry you plan to operate in. Different local municipalities have varying by-laws and therefore varying guidelines for compliance. Always contact your local municipality in the planning stages of your business to see what their requirements may be.

*These legalities are complex and wading through government or SARS websites trying to figure it out can be lengthy and frustrating ... and you still might not get it right. Remember that ignorance of the law is no excuse... especially when it comes to the taxman. You would be best advised to ask an accountant to assist you in setting this all up correctly.*

### Statutory requirements

Write down all the statutory requirements for which you are legally required to register



**STEP 16**

# Funding options

## How will you fund your business?

By now, you have almost done everything you need to turn your business idea into a potentially successful business. Moneywise, you know how much you need to get your business up and running. You have a pretty good idea of what it will cost to run it every month. It's time to think about how to fund your start-up. There are several different ways to fund your business.

### 1. Out of your own pocket

The easiest and most cost-effective way to provide your own financing for a new business is to use your personal savings.

**Pros:**

No loan to repay. No interest. It's your business, you don't have to give up a share of it.

**Cons:**

This can be risky, and you may not have enough to cover all the funding you need. If you use a credit card to fund the business and the business goes under, then you might spend the next decade paying it off.

### 2. Family and friends

It's common in the early stages of a business for family or friends to financially support your business. This option is most suitable for businesses that need initial support to prove the concept can be successful, to the point where they can seek other funding.

**Pros:**

It's a quick funding process with flexible terms. Depending on how much interest you pay, this could be a great investment for them.

**Cons:**

Mixing business with family and friends' finances can damage relationships if things go wrong. You'll need to carefully assess the possible impact of business failure before proceeding.

### 3. Crowdfunding

You raise the total amount of funding you need online from the general public. People can either lend you the money or take a share of your business. Businesses with a great growth potential that will attract plenty of attention.

**Pros:**

The larger the pool of people you reach, the more chance of getting a good deal.

**Cons:**

It can take a long time to hit your target, and you may have to invest a lot of time and effort in publicity.

**4. Angel investors**

Angel investors are wealthy individuals who provide funding in exchange for a share in your business. Some investors work in groups; others work on their own.

**Pros:**

Apart from the cash, angel investors will have experience and should be able to offer valuable business advice and guidance. You will receive mentorship where it's needed.

**Cons:**

You're likely to have to give up control of your business to some extent. Many will demand a large portion of your business, and 49 percent ownership is not unheard of.

**5. Venture capitalists**

These are investors who put in a considerable amount of money – generally a larger investment than an angel investor would provide – in exchange for equity in the business. Often their objective is to help the business to grow quickly, so that they can realise a good return on investment in a short time frame.

**Pros:**

In addition to the funding, venture capitalists offer expertise to help develop the business. They can also open doors to other contacts in their network.

**Cons:**

You're likely to have to give up a large chunk of your business, because of the significant amount of funding provided.

**6. Incubators**

These are programmes designed to scale and grow ambitious start-ups. They provide mentoring and a small seed investment in return for equity in the start-up.

**Pros:**

In addition to funding, these programs offer structured training and valuable expertise to help develop your business.

**Cons:**

The application and selection process can be gruelling.

**7. Bank loan**

Bank loans are still a popular source of funding for many start-ups. Banks are very

risk averse, so this option is suitable for a business that has a good relationship with their bank, excellent credit, and is able to make a convincing and well-researched business case.

**Pros:**

You won't have to give up any control over your business.

**Cons:**

The process of getting bank finance can be complex and time-consuming. The challenge here is to prove that you will be able to make repayments. Banks tend to find first time business owners too risky.

## 8. Government grant funding

Government grants for small businesses are popular with start-up business owners because unlike bank loans that need to be repaid with interest, grant funding does not need to be repaid.

**Pros:**

You don't have to pay the grant back. And you don't have to give up any control of your business.

**Cons:**

The selection criteria are strict, the paperwork intense and it is a very lengthy process. Your business has to align with a specific project or initiative and you have to make sure you approach the best government agency for your business (they don't work together or refer applications to each other).

## 9. Government departments and agencies

Numerous government departments and agencies offer support to start-up businesses ranging from small loans of a few thousand to loans into the millions. There are a number of government agencies you can approach.

**Pros:**

You won't have to give up any control over your business.

**Cons:**

The same as for the government grant funding.

*Keep in mind that investors want to see business owners who –*

- *understand their business and industry*
- *have high levels of business acumen*
- *run their business with honesty, integrity, and transparency*
- *clearly illustrate a passion for their business and industry*
- *understand their customers, market, and competitors well.*

# The 5 Cs of Credit

Many traditional lenders evaluate the potential of small business owners using a framework called the five C's of credit. It's important to have a good understanding of what lenders are looking for in order to have the best chances of getting approved for business funding.

## 1. Capacity

Capacity is your business's ability to repay loans. Lenders want to be assured that your business generates enough cash flow to repay the loan in full.

## 2. Capital

Capital is the cash you put toward starting your business, and it's a good way to show a lender how serious you are about success. Keep a record that shows your investment in the business..

## 3. Collateral

Collateral is essentially a lender's backup plan – the assets you pledge to support your loan. Its significance varies depending on the type of loan, for example, auto loans, for instance, are secured by cars, and bonds are secured by homes.

## 4. Character

This is you. Lenders need to know that you are honest, trustworthy and have integrity. Additionally, the lender needs to be confident you have the skills, strengths, industry knowledge and experience required to successfully operate the business.

## 5. Conditions

Lenders want you to be able to demonstrate that there's a market for your business and a clear purpose for the loan. Base your arguments on the local and national economy, the competitiveness of the business, the type of industry and your experience in it, and your experience managing a business.

## My funding

1. What funding options do I intend pursuing?



## STEP 17

# Your completed plan

## It's time to pull it all together!

Right now, your business is spread out over all the worksheets that you have completed. It's time to pull it all together in your business plan.

## Business plan outline

Below is our recommended business plan outline. It contains guidelines and questions to help you ensure that you include all the relevant information. However, every business is different and your business plan needs to be tailored to reflect that, therefore this is more a guideline than a strict template.

## Before you begin... important tips

Bear in mind that because of the high failure rates it is very difficult to obtain funding for start-ups. Your only tool to secure investor funding is the business plan that comes out of all this planning. It must showcase your business and has to convince investors that you have done all the planning to build a strong, successful, and sustainable business, and that you'll be a strong, resilient, and trustworthy owner.

If you want to give your business plan the best chance – it's time to pull out all the stops and present a professional business plan that will wow investors.

### 1. Formatting

Business plans should use simple and standard formatting:

- Twelve point font size in a font like Times New Roman is best.
- Bold headings in a larger font; and even a different font, such as Arial.
- Standard margin size of 2.54cm.
- Pages must be numbered.
- Your business name must appear on each page in the header or footer.
- Leave lots of white space. Make it easy to scan and read. Do not cram everything up.

### 2. Writing

- Keep it simple. Complex and long documents won't be read. A business plan should be brief, relevant, and focused.
- However, allow your passion and enthusiasm to shine through.

- Use short sentences and short paragraphs.
- Use bullets where possible.
- Cut the flab – no long and fluffy sentences, no waffling.
- No slang; no jargon, no cliches.

### 3. Ask someone to read it

- Ask someone who knows business to read through it with a critical eye and ensure that it covers everything it should cover, is well-written and actually wows them – as you are hoping to wow an investor.

### 4. Proofreading

- You simply cannot present a business plan that has spelling mistakes or grammar mistakes.
- Proofread it at least three times. Ask someone to also proofread it for you.

### 5. Presentation

To present your business plan in the best possible light, you need to put careful thought into how it's presented. Investors do judge a book by its cover – and if your business plan looks shoddy or badly presented or skimpy – you can rest assured they will not get beyond the cover page.

- Have it bound at a printers (don't simply hand the potential investor a sheaf of loose or stapled papers).
- Make sure that your cover page is eye-catching and that your business name and logo are printed in their full colours, not black and white (unless your logo is a zebra).

*Don't try to pad your business plan out in any way to appear more enticing or less risky. Investors understand business and will spot padding in a heartbeat – and reject your plan.*

# Business Plan Outline

## Cover Page

Your cover page is the first thing the reader will see, so make sure it looks good. (But good doesn't mean lots of fonts or silly graphics – it means clean-looking, well-spaced and well-formatted.) Your cover page must include the following:

- Business Plan (Include the words “Business Plan” at the top.)
- Your name
- Business name
- Logo
- Address
- Phone
- Cell phone
- Email
- Website
- Tax number
- Prepared document date (so the reader can see this is a current document)

## Table of Contents (New page)

Insert after you have completed the plan.

## Confidentially Agreement (New page)

It is always a good idea to include a confidentiality agreement. Here's one:

The undersigned reader acknowledges that the information provided by \_\_\_\_\_ in this business plan is confidential. Therefore, the reader agrees not to disclose it without the express written permission of \_\_\_\_\_.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader may cause serious harm or damage to \_\_\_\_\_. Upon request, this document is to be immediately returned to \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (typed or printed)

\_\_\_\_\_  
Date



## Executive Summary *(New page)*

*The Executive Summary sounds intimidating. It's not. It's simply an overview of your business that sums it up in a concise, optimistic, and compelling way. This is the first thing investors will read about your business – so it has to grab their attention. Remember, this is just a brief recap, so don't go into detail. Keep it clear, to the point and relevant. The Executive Summary appears first – but write it last.*

Describe:

- who you are as a business
- the purpose of your business
- the product/service you offer and what makes you different
- the customers you intend serving and why your customers will choose you
- where it fits in the market and why it will be a success in your industry and today's business environment
- how your product/service differs from competitors in the industry
- financial requirements, as well as how the capital will be used.

## Business Description

- Business structure (sole proprietor/partnership/Pty Ltd)
- Describe the purpose of your business: What are you doing and for whom?
- How is your business different from other businesses?
- Location – and why it will work for your business
- Vision
- Values
- Branding
- Management team (and a summary of your strengths and experience as business owner)
- Employees
- Business strengths and how you intend building on them
- Opportunities and how you intend seizing them
- How do you plan to grow your business in the future?

## Product or Service

- Describe your product/service in detail
- Describe your product/service's key features and benefits
- What makes your product/service unique (your USP) , and how does it differ from your competition?
- What need or want does your product/service satisfy?
- Why will people buy it?

- Why will customers choose to buy your product/service instead of another business's?

## Pricing

- How do you intend to price your product/service?
- How does this compare to your competitors' pricing?
- How do you know customers will be willing to pay this price?
- Show that you will make a good profit with your pricing structure

## Value Proposition

*Demonstrate that you understand that adding value in an over-crowded market is what attracts and keeps customers, has a positive impact on your pricing, and makes you stand out from the competition.*

- Describe how you intend to add value through every step of a customer's experience with you
- How else do you intend to deliver value?

## Market Analysis

*Present the results of your market research to prove that there is an opportunity to be seized in the market. By being specific, you'll illustrate expertise and generate confidence. If your market analysis is not specific, it will be a red light for investors.*

### Target Customers

- Describe your target customers:
  - Age
  - Location
  - Gender
  - Income level
  - Education level
  - Marital or family status
  - Occupation
  - Ethnic background
  - Personality
  - Attitudes
  - Values
  - Interests/hobbies
  - Lifestyles
  - Other
- What do your customers *need* – *want* – and *expect* from your business and product/service?

- What is the overall size of your target market?

## Competitors

- Who are your direct competitors?
- How long have they been in business?
- Where are they located?
- What services and products do they offer?
- What are their major strengths – and how do you plan to match/better them?
- What are their biggest weaknesses – and how do you plan on using this to your best advantage?
- How are you better than your direct competitors?
- Who are your major indirect competitors – and how do you plan on grabbing the market from them?
- Mention your stealth competitors and how you intend to add value that will attract them. *(Keep it very brief, as it's not a major section and simply serves to demonstrate that you understand your market.)*

## Marketing Plan

- How will you market your business and product/service? Discuss all the ways you intend to advertise and market your business and product/service.
- Discuss your website as a marketing tool
- Discuss using social media marketing
- Discuss adding unbeatable value with great customer experiences

## Management and Business Team

- What are your personal strengths, skills, knowledge and ability to run a successful business?
- Who else will be on your business team?
- What employees are you planning on hiring? Be sure to mention the qualities you will look for in an employee, that they will have employment contracts, and that they will undergo an on-boarding process.

## Financial Plan

- Start-up budget (attach a copy in the appendix)
- Personal survival budget (attach a copy in the appendix)
- Break-even point (attach a copy of how you arrived at it in the appendix)
- Business bank account (bank, account name, account number)
- How will you monitor your sales?
- How will you manage your finances? Discuss it in detail.

## Funding Requirements

- How much money do you require?
- How much are you investing in the business?
- Exactly how will the money be used?
- How long do you need to repay the money?
- How will the money be repaid?
- What collateral do you have to offer?

### Thank you for your consideration

*This is the polite way to conclude your business plan.*

## Appendix

*The appendix includes all of the documents and additional support information for the plan. It will include things such as:*

- *Start-up Budget*
- *Expenses Budget*
- *Break-even Point*
- *Cash Flow Statement*
- *Personal Survival Budget*
- *Sales Forecast*
- *Balance Sheet*
- *Leases*
- *Partnership Agreements*
- *Photos, etc.*