

Unit 10
STARTING A SMALL BUSINESS

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Task 1 (P1)

My business idea is to create a hardware store that is a partnership run company. The reason I chose to create a partnership business is because I thought that it would be easier to work together with someone close that I know of and so it would be better so that we can make joint decisions on important things such as what we need to buy to make the shop look presentable amongst other aspects. There is higher capital contributed by both me and my partner. The name of the company is called "D.S & J.E Hardware Store". It will be located in Onslow Village, Guildford, Surrey. There are a few other businesses nearby, for instance, a hairdressers, butchers and newsagents. This is a major factor as the area has a lot of popular places to choose from. There are no other hardware stores available at the moment. It will sell different equipment that is used for DIY purposes. It would need to be in a suitable area where there are different shops around to feel included as well. The start up resources that I need for my business is desks, a computer, a counter and till, shelves, alarm system, trolleys and baskets.

I will need a computer to keep the details of the deliveries. The shelves will be needed for storage what is available on the shop floor. I will need a store room to store all the deliveries and spare stock that I would need later in the future. I will need tills to store the money in but in the store room I would need to keep a safe to put the monthly takings in for security measures. I would need to have an alarm system for obvious security reasons. I will be using a small shop so I will have limited resources needed. I would need trolleys and baskets for the customers to store their goods that they wish to purchase. The counter would need to be quite big in size because I will be keeping the plastic bags and other items behind the till.

My business idea has some strengths and weaknesses both for myself and for the business.

I did a personality quiz on-line and these were the results.

Strengths

My personal strengths are:

- Confident
- Open
- Agreeable
- Conscientious
- Extroversion (have a concern with what is outside the self)
- Well planned

Weaknesses

- I have a short temper so I may need to calm down when things don't go my way.

My **Strengths** that I think will work for my business are as follows:

- Making customers feel wanted by being friendly to them.
- Setting sales targets as we go along
- Creating some reward schemes for the customers
- Starting up displays in the window or advertising in local newspapers
- My partner and I can reflect on past job experiences, the skills and passion in establishing the business itself

Weaknesses

- The store may struggle to attract customers
- Managing the store due to absent staff or lack of advertisement
- In a case of drastic action and my partner decided to abandon his partnership with me it would lead to a lot of trouble and liquidation of the company unless someone else came in with an intention of purchasing the vacant share in the business.

The training and development I would need is to take a managerial course if possible as my partner and I would need to learn how to manage this business well.

Task 2 (P2)

I will identify my businesses target market by carrying out some market research. This will be in the form of primary research because it is already available and it is low cost and accurate. Primary research is when information is directly from the source i.e. the potential customers I will be asking customers what they would want from my hardware store. The questions that I will be asking are as follows:

- What items do you want to purchase in my store?
- Why would you want to go to a local independent newly started up hardware store?
- What type of tools and equipment would you want us to have available?
- How far would you be willing to travel by?
- Would you want somewhere for children to play around so that you can concentrate on what you want to do?

My target market is aimed at men and women who have a liking to hardware materials. They should be aged over 12 as there are lots of young boys who like building things for

storage and many other things like that with the supervision of an adult. They may need hammers and nails to build the particular object. I will be letting my customers know where the business is situated through advertisements in local newspapers and delivering leaflets in the local area of Guildford.

Task 3 (M1)

The types of methods I could use for identifying my target market are as follows:

- Carry out surveys
- Focus groups
- Interviews (face to face open ended questions) - the information should usually be accurate

There are two sources of market research available, they are: primary and secondary they both mean that primary research takes a very long time, its very expensive and reasonably accurate, and secondary research means that its something already available - been done and either not relevant. It is also free or it is of low cost and not completely accurate.

The advantages and disadvantages of carrying out surveys are as follows:

Advantages:

- They will always be asking the same questions that are necessary
- They can help you think about how you plan to analyse data and word questions accordingly
- You get to have a record of people's responses to the questions asked of them
- They are accurate to use

Disadvantages:

- People may write silly answers
- People may decide not to participate in filling out the surveys
- Sometimes people aren't fully honest with their answers
- Some people may not understand the question that is asked of them
- Very expensive

The advantages and disadvantages of focus groups are as follows:

Advantages:

- Great way of getting dialogue from your customers on their wants and needs
- It's always important to let the customers know what they're letting themselves in for

I.e. sharing your ideas with them and make them seem interested in what you have to say to them

Disadvantages:

- They are expensive to run as you have to pay for wherever you are going to host the meeting unless it will be in your own household.
- They are time consuming as well
- You have less control of the group and what is being produced
- If a small number of people attend one meeting it means that the next time it will be smaller because there is a less chance of people hearing about what the meeting is about

The advantages and disadvantages of interviews are as follows:

Advantages:

- Speed
- Flexibility
- The equipment available for use

Disadvantages:

- They lack reliability
- Time consuming
- Expensive
- They rely on verbal skills
- The resources that are needed are sometimes difficult to get
- The cost of training
- They cannot always be accurate
- Saving of costs

The method that I think would be of great use to me would be the survey technique

The reason I have chosen this method is because it is cheaper than the other primary methods to run because you just have to print out sheets for people to fill in and they're helpful to me as they give me feedback on what the people want from me and they tell me what aspects of the survey we need to improve on. The questions that I will be asking will always be the same so I can expect the same answers or different ones if that is the case. I will also be choosing secondary research because it is already available and it is low cost and accurate.

I asked two people who I knew about what they thought my store should have in it. They said that it should have:

- Knowledgeable staff that are friendly
- Accessible shelves
- Accept credit cards as well as cash obviously not cheques as many businesses do not take them as they become unsure on whether or not the payment is legitimate or not
- Accessibility for disabled people

Task 4 (P4)

The legal status of my business is that it is a partnership owned company. It will be owned by me and a close friend. The records that we would need to keep are the accounts for the daily takings, weekly and monthly costs, customer's details and their complaints, supplier's details. The details of business income would need to be kept as well. I would need to send bank sheets in every 12 months as it is a standard procedure. The regulatory requirements that are needed for my business are as follows:

- Her Majesty's Revenue and Customs -

I would have to register the partnership with the government so they can allow me to open my store or not because the decision rests on the local government as they maintain checks on my business to see if it is working well. If I don't comply with these requirements my business will have to shut down. I have to insure that my business is registered so that it is something not to be worried about. Both I and my partner would need to make some annual self-assessment returns to HMRC.

- Health & Safety

I need health and safety regulations because I need to have insurance on things such as the costs of when employees are ill or injured. It will help my reputation boost up because more customers will visit my business and feel safe in the environment. The same goes for this as well if I don't comply with these regulations my business will not be a reliable place for customers to visit because they may complain to the council and make a protest about the health and safety regulations. I will need to rent the premises where my business will be and possibly will want to purchase the site for further extension in the future when we have enough profit made. I have chosen to rent the vacant building because there are a number of advantages to take into hand:

It frees up cash that could be used for different things, there will be less responsibility for the building although I would have to come up with the rent regularly. I would have to pay for the repairs and maintenance within the building, also there are no unexpected shocks

such as loss of income and other things that could occur.

- Fire

We would need to register with the local fire service so that they know that our business was newly opened and then they would know where it is so if there were vandals attempting to vandalise our business it would be stopped in good time.

- Police

My business would need to be informed of by the police so that they know if there is any trouble when the business is open then there would be a solution to it.

- Planning

It is important to have business planning because it gives you a greater ability to make improvements and look at problems that are occurring. They give you more confidence in what you are deciding on

- Trading Standards

I would need trading standard's help because I would need to prevent underage sales going on for instance if there was a young child attempting to purchase a tool that was too dangerous for them to use it would cause trouble if they kept insisting that they wanted the item despite them breaching the age limit. My partner and I would have to explain that we would get in trouble if we allowed the customer to purchase this particular item

The things that will be critical to the financial success of my business will be that the customers will have to purchase goods from my business in order to "balance the books", stick to our budget that we have specifically created, have a savings plan so that in a case of an emergency we can have an amount of money to help guide the business along the correct way. We should also pay off the debts that we may have along the way so that the business doesn't begin to struggle at some point.

Me and my partner will be starting up the business out of our own funds but would need to get some money from a close family member, this means that I would need to take out a loan.

I think that carrying out a loan would be possible but I would need to get some money from a close family member.

I will need to create a budget plan that I would need to stick to so that I can control my finances, it will enable me to make realistic financial decisions with my partner and meet our objectives. The benefits of a budget plan are as follows:

- It monitors the performance of the business
- Helps meet the objectives
- It improves decision making
- It increases staff motivation
- It allocates the resources for the projects that are necessary for the business
- It helps identify problems before they occur for example: the need to raise funds for more financial difficulties

If I and my partner agreed that we would need to carry out an overdraft for the company we would have to look at the advantages and disadvantages of this because it would be foolish to be unprepared for this.

Advantages

- It is quick to arrange
- You only have to pay for the funds that you use
- It is flexible because you only borrow what you need at the start which may make it cheaper than taking out a loan
- There is not a charge for paying off an overdraft earlier than expected

Disadvantages

- You face administration fees if you exceed the agreed limit
- It can be called in by the lender at anytime so I would have to come up with the money somehow no matter how difficult it is
- It leads you to debt if you don't pay it back soon enough
- There are high interest rates to pay

Expenditure means that I would have to keep the copies of receipts and the supplier invoices that are issued to me. I also need to have proof of the expenditure, things like cheque book stubs, bank statements and the credit card statements/receipts.

It is important that I should be able to cross reference our records to the expenditure figures if I was asked to. If I happened to mislay a receipt for a small item I would have to enter it in our petty cash book ledger and then make a note that I have lost the receipt.

Task 5 (M3)

I think that the most difficult thing to achieve is to keep consistent sales going on all the time. I will need to have a very well looked after shop and make it look attractive. My partner and I will purchase certain things for the business by using money that we have saved up together for the business. We will have to save up a lot of money because we may not want to get money from a bank for the obvious reason which is because of the credit crunch that is happening lately and there could be a problem with where my business is located. It may cause problems for people to come to my store if it isn't in the right area. Customers won't be able to come and I won't be able to get supplies if I am short of money. So I may have to relocate somewhere if possible. If I can't get stock I won't be able to sell anything in my store therefore customers will not have a point in visiting my store.

The laws that I would need to abide by are: I want to get a licence for my name of my store so that nobody will copy it and then the authorities will start questioning me about the true name of the store. I will go to my local borough council for permission on the licence that I want to purchase for my store. If I didn't get the licence and carried on without one I would definitely be prosecuted and sent to jail for a maximum of 10 to 15 years.

Task 6 (P5)**Type of business**

My business is a hardware store that is a partnership run company. The reason I chose to create a partnership business is because I thought that it would be easier to work together with someone close that I know of and so it would be better so that we can make joint decisions on important things such as what we need to buy to make the shop look presentable amongst other aspects. The name of the company is called "D.S & J.E Hardware Store". It will be located in The Square, Wilderness Road, Onslow Village, Guildford, Surrey. There are a few other businesses nearby, for instance, a hairdressers, butchers and newsagents. This is a major factor as the area has a lot of popular places to choose from. There are no other hardware stores available at the moment. It will sell different equipment that is used for DIY purposes. It would need to be in a suitable area where there are different shops around to feel included as well.

Target market

My target market is aimed at customers who enjoy the hobby DIY and all its topics. The age group is 12 years of age and up because there are a lot of young boys who are creative with their hands when building things for use in the household or outdoors. Obviously they would need help but they would need tools that are needed to build these things like hammers nails, screwdrivers. Basically I have asked a number of peers about what they want from my store using a technique called survey asking and they said that they wanted my staff to be knowledgeable and friendly, the store should have accessibility for the disabled and shelves that were easy to reach, the store should have appropriate lighting and advertisement that is relevant to the subject of interest, the store should have what the customer is looking for. The peers also said that my store should accept credit or debit cards as a form of payment.

Competitors

My competitors are companies such as “B & Q”, “Wickes” and “Homebase”, “Focus” and many others. Basically we as a company aim to provide competition for these big companies who obviously have been around for many years. Our store will be slightly cheaper in quantity but not cheap in quality of the products. The reason being is so that we can bring lots of customers to this new business and make our mark in the stock exchange. The store will specialise in the same equipment that an average hardware store would have such as power tools that are produced by the well known makes such as “Black and Decker”, “Bosch” and so on. The business itself will have an opening day in order to bode well with the new customers. They will be able to look around and maybe purchase an item or two. There will be opportunities to win prizes at the end of the day. This newly created company aims to be a good business to invest in because we have started it up with limited supplies and costs.

Start up costs

The start up costs that I will need will probably rise up to about £10,000 because I will need to spend money for many different purposes such as:

- Rent for the building that we will be using
- Printouts of advertisements for distribution to the local public

- I would need to apply for a licence for the name of the business because we would need to check if no other businesses have the same name or something similar to it. The reason being is so that we can claim damages if someone tries to copy our name and claim it as their own which we don't want to happen
- I may need to take out loans off a family member or friend if my partner and I were short of money to take the business forward
- My partner and I might need to get a second job or part time rather to help pay for the business but we would need to keep in mind that it doesn't clash with our business.
- We could release equity from a different asset such as selling a motor vehicle that was expensive to run for a cheaper vehicle
- My partner and I could sell unwanted assets to create income – as we may have things that we do not use or want any more they can be sold at auctions, on -line or private sales.

Brief revenue

I will need to rent the building that my business is being located at the rent for the building will probably cost me and my partner £1000 a month. There will be costs for needs such as telephone, gas, electricity, insurance. I would need to choose an insurance advisor and set up regular meetings to discuss the insurance regulations and the aspects & precautions. I would need to be paying the rent regularly for the uses of gas and electricity respectively.

Expenditure

My partner and I would have to keep the copies of receipts and the supplier invoices that are issued to me. I also need to have proof of the expenditure, things like cheque book stubs, bank statements and the credit card statements/receipts.

Profit forecast

In my first year me and my partner aim to pay back all the debts and loans because we will have made nearly £100,000 in our first year that means so that would be enough to cover the debts and loans to pay back to the people that we had asked.

In the second year my partner and I will make the business expand more with advertisements on a website to make people seem interested in our store because we took baby steps in the first year considering it was the start of the business

I think that I will make about a quarter of a million pounds in the next three years if I maintain the good quality work that I produce in my business.

Bibliography

Researched information off the internet about what words such as revenue expenditure and overdraft meant

I used the first diploma business textbook for more information.

