

7 THINGS YOU MUST DO BEFORE YOU START A BUSINESS



COMMERCIAL LAW
BUSINESS

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Contemplating starting your own business inspires equal parts excitement and fear.

Terrible statistics are quoted about small business failure.

Failure should not be an option!

Set out below are the 7 things that if done and done well should set you on the road to business success.

1. Do your homework

You have a great business idea. Now is the time to undertake your reconnaissance of the marketplace.

Is there unmet demand for what you want to offer?

Who are your prospective customers/clients? What do you know about them?

Who are your competitors? How much market share do they have? What are they charging for competing products and services? What are their strengths and weaknesses? Who is your target audience?

2. Know your costs of production and how much you need to charge

It is great to be passionate about the business you propose to set up, but you should not be leaving secure employment, with all the benefits that come with it, unless you can be confident you can make your old wage and then some. It's called profit!

First you need to determine what it will cost to produce what you want to sell – whether it is a product or a service.

Don't forget to factor in your overheads!

Then you need to determine what you will charge – which must exceed your costs of production and which over the time run of what you think you can sell, must allow you a fair return.

Focus on high margin products/services or those which will turn over quickly.

You may need some professional assistance with working this out.

If you can't complete this process with confidence, think again!

3. Have a Business Plan

Have a plan. It should be a road map of where you want to go setting out how you are going to get there.

You will need to have some outcomes which you can measure.

Part of the plan should be ensuring that you have the resources to help you succeed:

- » If your business needs premises, understand what you need and get advice on locations, market rent and other leasing terms.
- » What staff do you need? What qualities and experience do they need? How much do you need to pay them and what legal requirements must you meet when employing them?
- » What IT systems do you need to properly run your business, comply with laws and record its progress?

4. Have a Budget

Any financier will want to see a budget, to have the confidence that they will recover their investment in you.

Make sure your projections leave you with enough to live on, or that you have resources to draw upon until you can begin to start taking money out of the business.

Remember to put money away for your personal tax – it will not be set aside for you as your employer once did!

Have in place steps to make sure your clients/customers pay you – you can't eat credit!
Cash is king!

5. Have a Marketing Plan

If your business is new, how will people know about you?

If what your business sells or supplies is not unique, then what is your unique sales proposition? Be ready to answer the question – why do I give you my business, rather than give it to your competitor?

What is the most effective way to get out the good news about you?

6. Know the legal environment in which your business will operate

What business structure do you need?

Do you need licences or qualifications to operate your business?

Are there compulsory or recommended Insurance requirements?

Do you need to register a business name or any special intellectual property?

You will likely need to obtain an ABN, register for GST and set yourself up to pay PAYG tax and employee superannuation contributions.



7. Get advice

Get advice, as much of it as you can.

You may need to consult lawyers, accountants, insurance brokers, marketers.

Some advice can be obtained free from such sources as:

<https://www.business.gov.au/info/plan-and-start>

<https://www.ato.gov.au/Business/Starting-your-own-business/>

<http://www.business.vic.gov.au/money-profit-and-accounting/financial-management-set-up>

You will need to pay for advice specific to your needs.

Talk to friends and family who have been in business and ask about the advisers they use.

Form a relationship with a mentor – an experienced business person who will have a cup of coffee with you or take a call from you when you need on-the-spot counsel. Generally people love to share their knowledge and experience. If they can see your passion for your business, then the wise old head is likely to be happy to act as your sounding board.

... and a final 8th thing - never lose your passion!



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