

Escape to Victory

How to start and run a
profitable small business
on a **shoestring**



Kevin Partner

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INTRODUCTION

My Working Day: December 1998

I was working for Dixons Stores Group at their HQ in Hemel Hempstead. I'd joined in 1995 and had dragged my family from our home in Portsmouth (by the sea) to Leighton Buzzard (just about as far from the sea as it's possible to be). At Dixons, I was their Product Training Manager responsible for video, computer based and paper training of staff at Dixons, Currys and PC World and it was a high pressured job (you know, the sort where you have all the responsibility for something with not enough authority?). I'd get up at 6.30am and drive from Leighton Buzzard to Hemel Hempstead. I'd then have a long, stressful, day dealing with senior

level people who really couldn't be arsed with all this training stuff. If I was lucky, I'd get away around 6-6.30. It was exhausting.

I remember clearly the moment that I knew things had to change. It was around 1am and I'd been slouched in my armchair watching the truly awful film "Judge Dredd" with Sly Stalone murdering a classic English comic character. I'd also drunk half a bottle of Port, which had become my crutch. I suddenly became aware of just how stupid this was. My kids were upstairs sleeping and here was I, the person supposed to be looking after them, pissed and exhausted. I knew things needed to change but not how at that time. It took a couple of years before I'd set up NlightN Multimedia, my first business, but I have **never** regretted that decision, not in the darkest of moments since then (and there have been some). Here's why...

My Working Day Spring 2010

I get out of bed at around 7.45am. Amble downstairs for some toast. I play pirates with my three year old son for a bit. Then I commute to the office (aka "walk down the stairs").

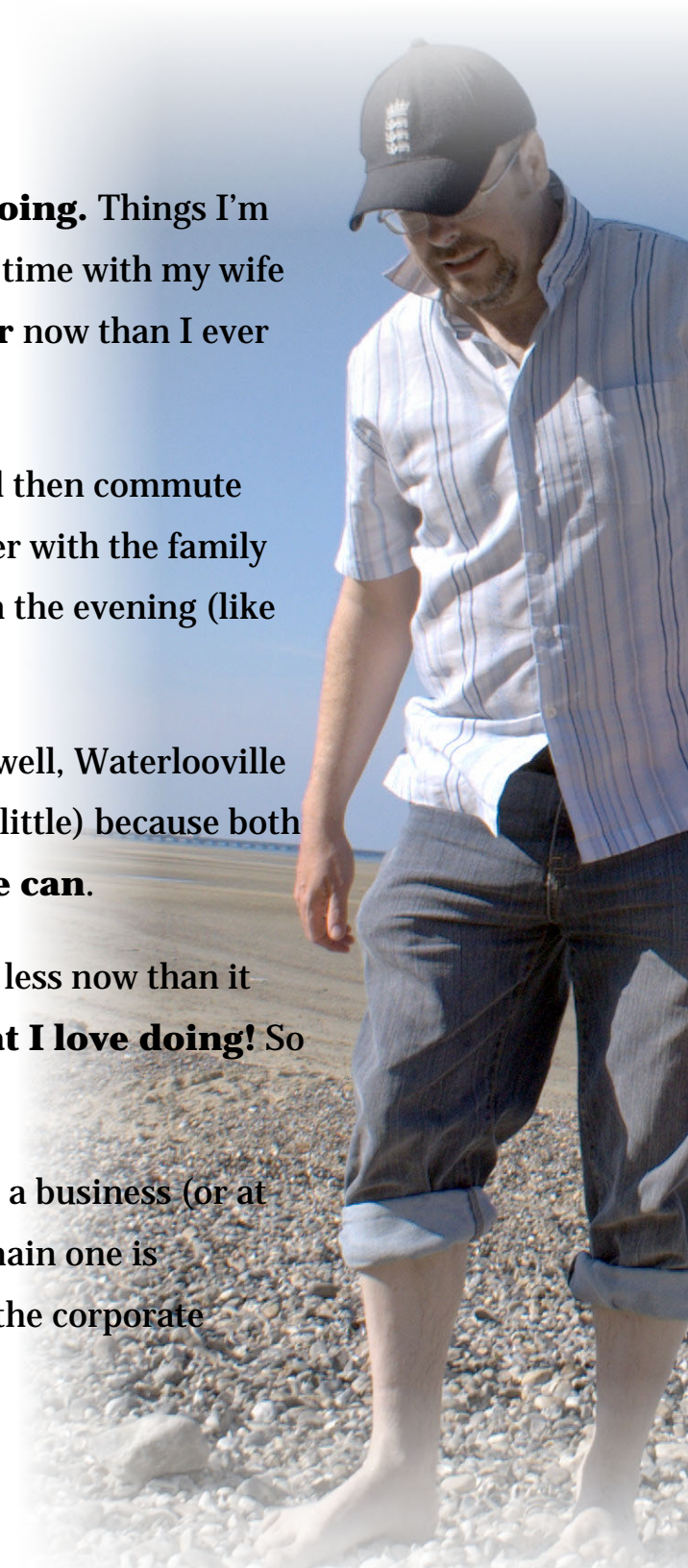
And then I get to work doing things I **like doing**. Things I'm **good at**. When I feel like it, I'll spend some time with my wife and son. Don't get me wrong, I work **harder** now than I ever did before but I **love doing it!**

I end my day tired but, usually, satisfied and then commute home (ie step into the living room) for dinner with the family before working on some personal projects in the evening (like this report).

Oh, and we're moving back to Portsmouth (well, Waterlooville to be exact – we've moved up in the world a little) because both my wife and I run our own businesses **so we can**.

I'm not rich – in fact my income is probably less now than it was then. But **I'm getting paid to do what I love doing!** So my quality of life is so much better.

You'll have your own reasons for starting up a business (or at least thinking about it) but I'll bet that the main one is **FREEDOM**. Whether that's freedom from the corporate



straightjacket, freedom to spend your days doing something truly constructive and enjoyable or the freedom that comes from earning lots of money. This short guide, and the [MicrobusinessEntrepreneur](#) site itself, aim to get you started. It's a hell of a journey but an exciting one with a wonderful promise of adventure and happiness.

WELCOME!

Welcome to this short n'sweet report covering how to get up and running with the minimum of startup money. And **CONGRATULATIONS** on choosing to start your own business. You know, you're the lifeblood of the world economy and, whilst you can expect to be underestimated and under-appreciated by politicians, bankers and most other salaried people, the sense of achievement, independence and pure joy to be gained from running your own business(es) means you'll never be able to get enough of it... or consider working for anyone else again.

Many of you will be starting small: beginning in a back bedroom with little more than a computer, a desk, an idea and some time you're willing to sacrifice. Good on you: in most cases this is the best way to get going, especially if you can run your fledgling business alongside your existing employment.

The dream that many people have in that position is that one day they'll earn enough from their new business to be able to give up their salaried work as an office drone (or whatever).

Did you spot what was wrong with that last sentence? Yep, the word "**dream**". Running a profitable business is **not** about dreaming, it's about **doing**. I firmly believe that with dedication, research, a lot of hard work and above all a commercially viable idea, creating a money-making business is **almost** inevitable. Of course, luck does come into it: but it doesn't play as much of a role as you might imagine.

For example, let's imagine that Bob and Bill are each planning to start separate businesses selling a fish tank cleaning service to local companies. Bob gets right on and buys the equipment, takes out a page in the yellow

pages (and maybe a few Google Adwords ads), sits back and waits for the phone to ring. He's still waiting.

Bill, in contrast, carries out some simple preliminary research and discovers that there is not enough demand for such a service in his local area. Disappointed, he nevertheless presses on with generating new ideas to research. In other words, Bill has failed, but he's failed early and at next to no cost. On the other hand, Bob's business has failed entirely, costing him time and money.

So, the keys to starting a successful business are:

- 1. having the right idea/product***
- 2. producing it at a price you can make a profit on***
- 3. marketing it effectively***



Note... "having lots of startup cash" or "having an angel investor" or "appearing on Dragon's Den" do NOT appear in this list. If your idea

is going to be expensive to start up and you think you need investment then good luck and you're in the wrong place.



Cash

This report is about starting up on the minimum cash. However, it's essential that I point out, right from the start:

*You CANNOT start a business with
ZERO cash!*

Even if you had a product idea that had no production costs, you'd still need to market it and host its website: neither of these can be realistically achieved free. **However**, you **can** start your business with very little money.

For example, let's say you're developing an information business and looking to sell an ebook. Assuming you've already purchased a PC with standard software including a word processor, you can create your ebook and, with a free PDF conversion tool, convert it to a read-only format. So, the costs of production are effectively zero but you'll still need a website (which could be created



for free, but you'll need hosting) and you'll need to market. The quickest and most effective marketing method in most cases is Google Adwords and this, of course, costs.

If you choose to be a limited company then you need to pay to be registered and, even if you're not, you'll need an accounting package. So, in terms of setup costs, it might be £75 or less with an ongoing cost of perhaps £25 per month.



On the other hand, if you're developing your own physical product, as we did with www.MakingYourOwnCandles.co.uk, the costs of researching the product, prototyping it and, finally, buying in stock and manufacturing will push that startup cost up. However, even in that case, our overall spend before launch was no more than £500, hardly a king's ransom.

Avoid "get rich quick" schemes

There are two things you can be sure of if you come across a scheme that promises "easy money":

- 1. It's utter bollocks***
- 2. The only people getting rich are the people you buy from!***

If you think about it, this is good news. The lack of a "secret" formula means that anyone can have a successful business: you don't need to wait for someone else to sell you a "system". If there is a secret, it's probably this:

Most people don't want to put in the effort.

It's hard work starting up a business. Not necessarily difficult work, if you're getting the right advice and follow a systematic process, but hard work nevertheless. Most people are **lazy** or their life priorities are different.

Many people simply want to be told what to do by someone else; turn up, do the work, cash the paycheque and hope they're not next on the redundancy merry-go-round.

Microbusiness owners, and all entrepreneurs, aren't like that. We're prepared to put in the long hours (especially in the early days) because we get the benefit, both short term and long term. Some of the benefits of starting your own business are:

- **Being your own boss:** particularly if the type of business you set up involves selling to lots of customers rather than, for example, project based work for a small number. If you have few but high value clients, then it can feel as though you've ended up with several bosses. In most cases, I recommend finding a business in which you sell lots of lower value items to many, many customers
- **Being in control.** As a microbusiness owner, you decide... **everything.** It's the most wonderful freedom and, of course, responsibility

- **Doing what you love doing.** Your business should be based on what you **love** doing. Why? Because you will be best at those things and you'll be prepared to work hard at them. Can you imagine spending your entire working day doing what you love?
- **Financial independence.** This is one of the primary aims of many businesspeople on starting up. By starting microbusinesses, you are spreading your eggs amongst several baskets over time. Let's say, for example, you have a salaried job that brings in £1500 net per month. You create your first business alongside that job and it settles down to bringing **only** £750 per month net. Doesn't sound too intimidating? Well, once you've got two such businesses on the go you can give up your salaried job. You'll then be able to build up a third business which would mean you could be earning 50% more than when you drew a salary but from **three different sources** so you need never fear the cold HR department handshake. This is true financial independence and freedom.



GENERAL PRINCIPLES

Understanding the value of your time

When starting a business on a shoestring it's essential to remember that time is money. The more you do yourself the less cash you have to pay and the lower the monetary cost of starting up and running the business.

On the other hand, you mustn't forget that your time also has a value. Let's say you've started up a landscape gardening business. The time you spend actually gardening is what generates your income so you need to spend as

much time as possible in revenue-generating activities (as well as cost-reduction or avoidance activities, of which more in a moment).

So, any time you spend on other activities (eg managing your diary, doing the book-keeping, buying in supplies, filling out forms) is time away from gardening. In the beginning this might be fine but as your business builds, you'll need to choose how to spend your time.

Think of it this way. **Different activities are worth different amounts to you.** Your landscape

gardening itself might be worth, say **£30** per hour.

Managing your diary, book-keeping and marketing

might be worth **£15** per hour and activities such as making the tea,

emptying the bins and browsing the internet might be worth **£1** per hour.

Which do you think you should be doing? Of course, only the £30 and £15 activities. Anything that fits into the £1 per hour category should be abandoned or outsourced.



The basic principle is this: if you're busy generating income, outsource as many other activities as possible. Hire a cleaner, hire a secretary (outsource the job to a virtual PA rather than employing one) – anything that could be done just as well, or better, by someone else at a cheaper rate than you'd be paying should be outsourced. If you could be earning £30 an hour, why would you spend your time on £1 per hour activities and yet many, many business owners do this. They're called “displacement activities” and they're a form of procrastination preventing you from getting on with the real work. How do I know? Because I do it all the time!

Don't outsource book-keeping!

One exception to the “outsource everything” principle is book-keeping. Unless you have an **exceptionally** good excuse for not doing it yourself, then get on and do it. Why?

Because it is the **only way** to get a belt and braces view of your business at it's most basic level. As you're doing the books, you will see exactly where the money is going and will be able to query expenses in a way that a hired book-keeper can't.

The good news is that book-keeping needn't be onerous at all. FreeAgent (www.freeagentcentral.com) is a fantastic online system that enables you to do the book-keeping with the minimum of effort and without needing to know anything about accounting. All you do, essentially, is upload your bank statements (having downloaded them using your online banking service). FreeAgent will work out most of the entries for itself and you go through the others explaining them. For most of my businesses, book-keeping has been reduced to no more than a couple of hours per month.

Do NOT use Sage!

When I started my first business, Sage was the only choice for book-keeping. It is so difficult to use (don't even think of using it unless you understand book-keeping intimately) that I was forced to employ someone part time for **8 years** simply to keep on top of it. Because Sage makes it next to impossible to share data without paying for an extra licence, the information it generated was of **next to no use** to me on a day to day basis. Migrating over to FreeAgent was an incredible relief, I no longer need a book-keeper (even though I have more businesses now) and I **almost** look forward to getting it done now!

Yes, there is a cost involved in FreeAgent (as there is with any decent accounting software) but you can get 10% off by joining through Microbusinessentrepreneur.co.uk and it's a small price to pay given the time and cost savings it offers.

“What if my accountant insists I use Sage?”

SACK THE CLOWN

...and find one who lives
in the 21st century...



Spend your time on meaningful, productive activities

By understanding that your time is, by a country mile, your most valuable asset you can see that your success is in your hands. Everyone has the same amount of time available to them – 24 hours in a day, 7 days in a week etc. By **using** that time at its most effective, you can **outperform** all of your competitors. Really, it's that simple – working **hard** and working **smart** are two of the most important keys to business success.

Everything you do, every single thing – question whether you should be doing it. Is it a valuable use of your time? Working on your product, building the content for your website, reaching out and connecting with customers, leading your business, making sure it stays afloat: these things are your responsibility and should not be outsourced or delegated. Everything else should.

How do you do this in a one or two person business when you don't have employees? Just Google it: you'll find people willing to take the weight off at remarkably low rates.

Never stop learning

You wouldn't expect to be able to sit in a car and drive it without learning first, would you? It's the same with business. You need to go into business with a certain level of education covering how to plan, run and market it otherwise you might make expensive mistakes right from the beginning.

Having said that, there's a lot of "conventional wisdom" out there that's either simply bollocks or is not applicable to micro-businesses. Google "business advice" (at least here in the UK) and the top entry in Google's search results is likely to be **Business Link**. This is a Government run service aimed at small to medium enterprises. There are two problems with this:

- 1) It's a Government run service so you'll get lots of advice about filling in your tax return on time and legal issues – the advice is also very conservative (whatever government is in place) and therefore often dated
- 2) A "small" business, as defined by the government, might have up to 50 people working in it. Now, a business with 50 employees has

more in common with a blue chip corporate than a microbusiness run by one or two people.

Don't get me wrong, there is some good stuff in at www.businesslink.gov.uk – especially in the “Starting up” section but you will find yourself in danger of being overwhelmed so take it carefully.

By contrast, the information you find at www.microbusinessentrepreneur.co.uk is all straight from the horse's mouth, non-politically correct, real world, opinionated advice. Take out of it what you agree with and ignore what you don't – there's nothing prescriptive about my advice but you will certainly find yourself challenged by it.

Build Your bookshelf

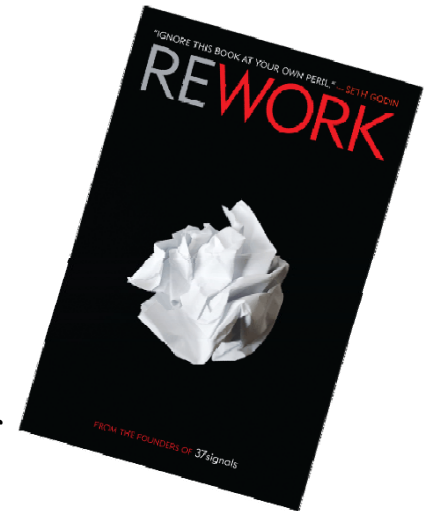
Read these books, in this order for a complete business education:

- 1) [Purple Cow](#) by Seth Godin: essential to help you find a product or service to market. This book



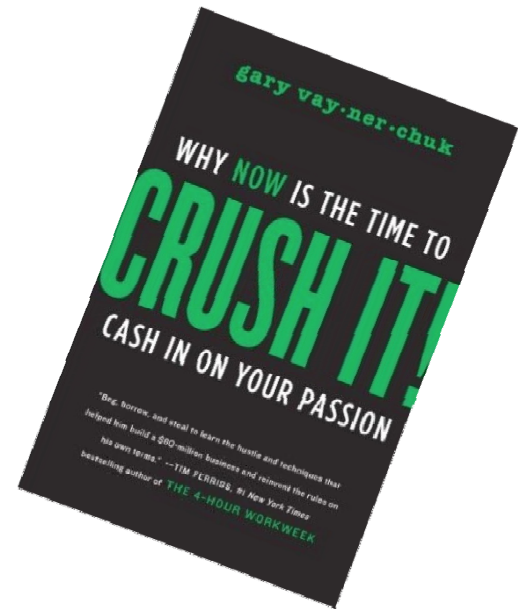
will help you understand why blending in with the crowd is the fast path to obscurity and failure

- 2) [Rework](#) by Jason Fried and David Heinemeier Hansson: published in 2010, this is **the** book on running a business in the 21st Century. It chimes with much of what I say in Microbusinessentrepreneur.co.uk. It is the anti-Business Link. Again, it will challenge you and you won't agree with everything but it will radically alter your received perception of how business should be run



- 3) [Free](#) by Chris Anderson: if you're developing a product, especially if it's electronic, this is required reading. If you don't understand the new economy, where Free is the default price, then you won't know how to make money from it. This is the paradox that the book describes – it also gives you practical ideas of how to profit from a “free” economy.

- 4) [Crush It!](#) By Gary Vaynerchuk: brash loud and occasionally obnoxious, Vaynerchuk is a hugely successful internet entrepreneur. I like the messages in this book and, although I probably wouldn't go to the extremes he promotes, there's a lot to learn from his techniques.

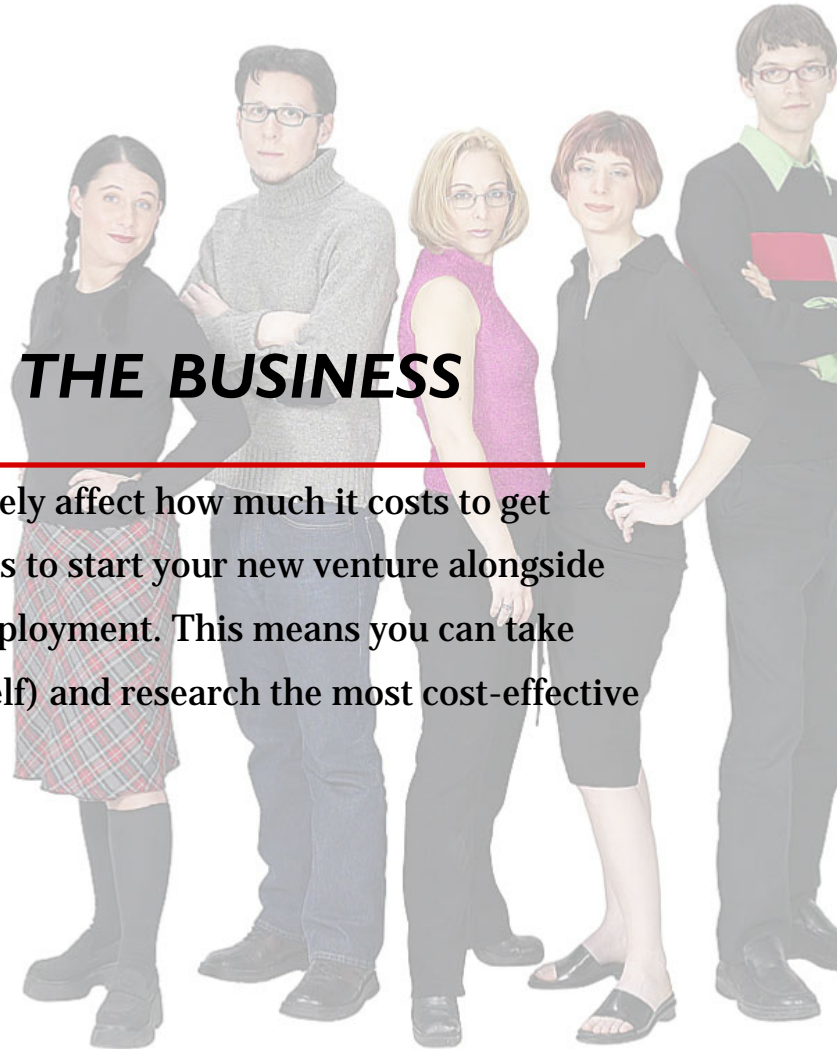


- 5) [The 7 Habits of Highly Effective People](#) by Stephen Covey. Hold onto your trousers if you're British as this is **very** American in a sugar coated, God fearing way (especially the audio version) but it is **good**. This was the first personal development product I ever bought and has probably been the most effective. Do you get miserable on a cloudy day? This book is for you.
- 6) [The Power of LESS](#) by Leo Babauta. Chimes a bit with Rework but this book is about how to be more effective in both your personal and professional life by doing LESS. If you feel busy all the time and going nowhere fast, read this.

All of these books can be purchased second hand from the Amazon Marketplace but all are cheap in any case. They are the best business books I've ever come across and you can get through them in a couple of weeks at the most. Just make sure you take notes!

2. PLANNING THE BUSINESS

How you plan your business can hugely affect how much it costs to get started. The best plan in most cases is to start your new venture alongside an existing business or your paid employment. This means you can take your time (which saves money in itself) and research the most cost-effective way of getting into the marketplace.



Don't expect to be making a profit from day one.

As Gary Vaynerchuck (www.garyvaynerchuk.com) says “patience is the secret sauce [of business success]”. Too many people expect instant success but true, sustained success takes time to achieve – it’s a case of building up a momentum behind your business.

Look at it this way. When you launch, you won’t have any customers. As you advertise, customers will begin to arrive but each will have cost you money. However, as time goes on you can sell to those previous customers as well as new ones. Once you have a mailing list of several thousand people, you can expect a positive blip to follow every promotion you run. But, getting that mailing list together takes time – both chronologically and in terms of your effort to attract people onto the list. Oh, and by the way, don’t **ever** be tempted to buy a list of email addresses.

What type of business are you?

Choosing the type of business you’re going to run is critical. I don’t mean “limited company” or “sole trader” (almost always choose “limited”) but

rather the way you intend to make money. Are you going to sell physical goods, digital goods or online services? Oh, and before we go any further – **if your aim is to make all your money from advertising, think again.** That well-worn path is full of business failure. You need a real product of some sort whether that's a candle making kit or an ebook that you can sell for real money – advertising is then a nice little add-on.

Physical products

The internet has opened up an entirely new type of transaction not possible on the high-street: the selling of niche products. To sustain a traditional bricks and mortar shop you'd need to have enough demand for your stock in the local area. To sustain an internet shop, you merely need enough demand for your products in the **world**.



For example, one of my businesses is MakingYourOwnCandles.co.uk. As far as I know there are no traditional shops that only stock candle making kits but, because we're entirely internet-based, we're able to focus on that niche

and that niche only. Because of this focus, we're developing a wide range of options within the candle making kit niche so that we cover every likely requirement. By targeting advertising at **people searching specifically** for our product type, we're able to provide a completely relevant destination making our conversion rate the envy of most online shops.

However, there are disadvantages to online shops. The first of these is that you have a **significant cost** to buy in the stock or, if you're making the product yourself as we do, the materials. If the product is also available on the high street, you'll need to **compete on price**, further squeezing your margin. You also need to remember that some of your items will be **lost in the post** and you'll be forced to compensate your customer – there will also be **returns** to account for. You also have to estimate how much stock to buy in - treading the thin line between having stock available for 24 hour delivery and having too much of your cash locked up in your stock room.

At the end of the day, business is about...

having more cash coming in than going out!

...and businesses based on physical products find it harder to achieve this because so much cash must be tied up in stock waiting to sell.

Digital products

Digital products nullify all the disadvantages of physical products. **In most cases, the cost of providing the product itself once created is close to zero.** You therefore don't have any stocking problems. If you're selling an ebook, for example, once you've written the book you can sell as many as you like at zero cost to you.



It's for this reason that information products have been seen as **the** model for internet businesses. And it's a good model – this ebook you're reading now is an information product albeit a free one (lucky you).

However, information products suffer from a couple of potential disadvantages. Firstly, people **expect information to be free** these days. So much information can be garnered from a Google search that they don't understand why you're charging. Your job, therefore, is to clearly explain why your information isn't available anywhere else and **why it's worth paying for**.

Secondly, and this is a problem for all digital goods, customers are still reluctant to pay for products that **don't come in a physical form**. Many customers who'd happily pay for an album on CD will not pay for an MP3 version even if it's cheaper. This will be a declining trend but the issue of trust is not to be ignored lightly.

Our site PassYourTheory.co.uk is an example of a successful information product and this is largely because the information it contains **cannot** be found generally since it is licensed by the Driving Standards Agency.

Physical Services

Businesses that provide a “real world” service (ie someone turns up to do something) can be started up at very low cost, assuming there’s no requirement for expensive equipment. For businesses like this, the internet is their shop window. Unlike physical products, however, physical service providers tend to work within a set locality so you’d need to make use of **targeted advertising** to drive new customers to your promotional website.

Online Services

The internet is increasingly being used to host services that either replace traditional versions (eg ticket-booking) or introduce whole new services (eg Google search). Online services or web applications are going to continue to transform the way people go about using their computers and it is possible to create a very healthy business based on a web application. As with digital products, online services cost very little to run – the

The screenshot shows the homepage of the 'PASS YOUR THEORY' website. The header includes the logo and navigation links: 'Home', 'About the Test', 'Get it Done', 'Membership', and 'Help'. The main heading is 'Pass your Theory test and Hazard Perception - latest questions now online!'. Below this, there are several sections: 'the complete Driving Standards Agency question bank' (listing 1976 questions), 'Hazard Perception, Video Training' (offering video training), '14 Learning Modules' (available online), and 'For Premier Members' (describing the Premier Membership benefits). On the right side, there are two membership options: 'Standard Membership' (costing £14.95) and 'Premier Membership' (costing £24.95). The Premier Membership includes additional benefits like '14 Learning Modules' and '14 Learning Modules'. At the bottom, there is a copyright notice: 'Copyright © 2010 Pass Your Theory Limited. All Rights Reserved. All other content is the property of the Driving Standards Agency. All other content is the property of the Driving Standards Agency. All other content is the property of the Driving Standards Agency.'

cost of providing the service to a new customer is likely to be **zero** or close to it (at least, it should be) so once in place they can be very profitable.

On the other hand, getting the online service up and running in the first place is likely to involve a **big investment of time** or, if you don't have the skills yourself to design and program the site, it'll cost money to hire in the appropriate talent. And, as a byline, I know I recommended outsourcing but I do not include programming in this. Perhaps it's because I'm a programmer myself but whilst I'm happy to have a virtual assistant from the Philippines, my experience of working with "off-shore" coders has been poor so far.

Do your research first

So many businesses are started out by people who believe they have a great idea but don't spend the time doing basic research to see if there's a market for it.

1. Just because it seems like a good idea to **you** doesn't mean someone else is going to give you money for it
2. A business idea can only **be** a business idea if you can make money at it

These may seem bleeding obvious but the fact is that too many people start up businesses fuelled by nothing more than enthusiasm and belief. Enthusiasm is fine (and, indeed, essential) but it needs to be harnessed. Belief is no good – you must have **facts**.

Adequate upfront research is a key ingredient to starting any business- especially one on a shoestring. You can save a **fortune** in wasted cash by discarding unviable ideas and replacing them with profitable ones.

Use free research tools to identify market

Fortunately it is incredibly easy to find out if there's a market for your idea.

Is anyone else doing it?

If there's someone else offering a similar product or service to you then this is a reasonable indication that there is a market. Don't be too sure, however, because they might be struggling themselves – don't assume they're being successful just because they exist.

If your product/service is a local one and your competitors are in different regions/countries then so much the better.

You can find more in-depth information on using the tools in Google to estimate the size of your market on www.microbusinessentrepreneur.co.uk or in my book: “[How to set up an online business](#)”. The point I want to impress on you is that ***starting up a business that has no market is the quickest way to lose money.***

Google Adwords

Pay per click marketing is the quickest way to attract qualified leads to your site – it's also the quickest way to lose a whole lot of money in record time. Do **not** experiment with Google Adwords until you've read [Adwords for Dummies by Howie Jacobson](#). And if you learn nothing else from that book remember this: set a **very low** initial daily budget. That way, if you make a complete bodge of it, it'll only cost you, say, £10 a day until you either turn it off or fix it.

Oh, and **don't** allow Google to manage your settings in Adwords. You should set bids manually and not let Google auto-optimize anything. If you want to advertise online effectively then you have two choices:

- 1) Learn Adwords yourself
- 2) Hire someone to do it

In my opinion, marketing is the single most important job you do as the business owner.

Therefore, I'd always recommend option 1. No other person knows your business and its products as well as you do so **you** are the right person to set up and manage your campaigns.

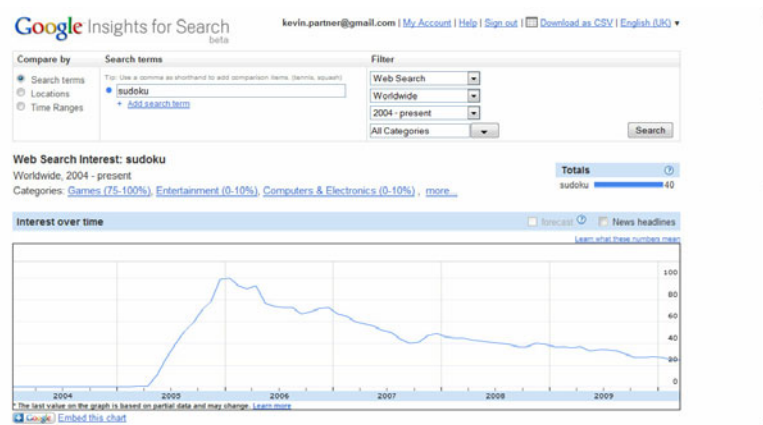
Having said that, if you're not interested or don't have an analytical mind then my point about outsourcing such activities holds true. Just don't ignore this: it's the single best way to get qualified leads quickly.

Google Insights

Google Insights will show you the relative popularity of search terms. Go to <http://www.google.com/insights/search/#> and type in your main keywords. It will show a graph (local or international, it's up to you) over

whatever period you specify from 2004 onwards. It doesn't show the volume of searches but just how popular the search term is **compared to all others**. For a gift item, for example, you'd expect to see consistent demand during the year and a big spike around Christmas.

Look at the trend over the years. Is it going up or down over the longterm. Clearly you should be looking for a stable or upward trend. Here's the trend diagram for the keyword “sudoku”:



As you can see, a big spike in mid 2005 when it first hit the headlines and a gradual ebbing away ever since. This is not a market to enter unless you have other evidence that you could make a success.

Google Analytics

Analytics provides the sort of information that once cost thousands entirely **free**. Once you've set up your site – get Analytics installed and you can learn about:

- where your traffic is coming from: Adwords, Organic searches, Twitter or Facebook for example.
- How long your customers spent on your site and which pages they visited.
- What percentage purchased (if you link it to Adwords)

Remember the biggest waste of money
is launching the **WRONG** business!

Research **FIRST** (it's largely free) to save money long-term

Low Cost Products

Physical

If you intend to offer a physical product, make sure it obeys these rules (if you want a low cost startup):

low cost to produce, high margin

Can you produce the product (or buy it in) at a low cost and sell it at a high margin? In most cases, the margin should be at least 100%. Isn't that too high I hear you ask? No – out of that margin must come your marketing costs, allowance for losses and refunds and the other costs of running your business. Any less than 100% and you're risking making a net loss.

If you can't get 100%, wrong industry. I do **not** recommend getting into any commoditised industry where it's all about reselling at the lowest possible price. You should be looking to buy in at a low price, add value and then sell at a higher price. Take a look at what the customer can buy the product for already, whether that's online or on the high street. For example, with [MakingYourOwnCandles](#), we looked at the appalling value of existing retail candle making kits and, after a lot of research and

experimentation, came up with much higher quality kits at a similar price – that was our Unique Selling Proposition and the value we were adding.

Minimum stock

Can you supply your customers whilst keep stock to a minimum? If you really want to start a product-based business on a shoestring, you can't afford to spend hundreds (or thousands) of pounds on stock that might be tied up for months. Limit your product line to a very focused set, get your suppliers lined up to deliver quickly and offer a delivery schedule that is realistic.

Information products

The main cost when it comes to information products is your time. This makes them very attractive if you're setting up your business alongside existing employment or another business.

Electronic information products have the benefit of having zero ongoing costs once created. But, in many cases, they don't have the appeal of physical products. This is why books are still so popular: they combine many of the advantages of physical products with those of information

products. Once created, after all, the only cost in supplying them is printing and postage.

The key with books is **print on demand**. Do **not**, under any circumstances, pay a printer to print up your book. You will be forced to pay many thousands of pounds for a book that may sell no more than a few copies. Instead, use a service such as www.lulu.com to print your books as and when someone buys them. Of course, you could certainly buy a small stock in to sell direct but there's no further commitment. A bonus with Lulu is that your book can appear on Amazon, attracting a massive worldwide audience.

Services

Service business can be started up very cheaply. Aside from a few basics, all you need is any required equipment and a marketing budget.

Here are some examples of low cost services:



Services for Consumers

1. House sitting
2. Home education
3. Pet sitting
4. Event Organisation (eg parties, weddings, christenings, leaving parties, Christmas parties)
5. Avon/Betterware
6. Photography
7. T-shirt design
8. Art
9. Landscaping/Gardening
10. Selling on Ebay
11. Event catering

12. Conveyancing
13. Local Tours
14. Writing – non-fiction guides
15. Dance/yoga instructor
16. Babysitting
17. Children's party entertainment
18. Mobile hairdressing
19. Mobile beauty treatments
20. Women providing male services to women (eg repair, furniture assembly)
21. Driving instructor
22. Craft/skill training courses
23. Renting equipment (eg kid's stuff)

Services for Business

- 24. Writing for yourself
- 25. Writing for clients
- 26. Sandwich delivery
- 27. Computer programming
- 28. Web design
- 29. Affiliate
- 30. Courier
- 31. Coaching
- 32. Office Maintenance
- 33. Office Clearance
- 34. Virtual Personal Assistant service
- 35. Book-keeping

36. Driving services

37. Packaging

38. Training: software, health & safety, selling skills

39. Team building exercises

Which is the cheapest business form?

You can save money, right from the start, by choosing the best business form. Bear in mind that when it comes to selecting a business type, there are more factors than cost to take into account – see the blog entry at <http://www.microbusinessentrepreneur.co.uk/2010/essentials/which-legal-form-should-your-business-take-a-micro-guide>

There are two main forms of company: Sole Traders¹ and Limited Companies

Sole Trader

This is the simplest form to set up – your business income is not separate from your personal income so the main paperwork to complete is a standard end of year tax return. It costs nothing, in itself, to set up as a Sole Trader so, in the short term, it is the cheapest way to get going.

¹ Partnerships are, essentially, a form of Sole Trading with the added disadvantage that all partners are liable for all debt so if one partner scarpers, the remaining partner(s) are liable to repay it.

Limited Company

In the eyes of the law, a limited company is a separate person from you so it has its own tax regime and requirements. Setting up a limited company is a formal process, although this isn't expensive and can be achieved in a few minutes.

Which is best?

By setting up as a sole trader, you can save on the bureaucracy and cost involved in filing your accounts and the annual return required for limited companies. Your book-keeping requirements are likely to be less involved and you may not **require** an accountant to prepare your accounts (however, you'd be crazy to try to run a business without an accountant).

As a sole trader, you benefit from slightly reduced National Insurance contribution levels compared with paid employment. As the director of your own limited company you can pay yourself either entirely or largely in dividends **if** you expect to make a profit in that financial year. You pay no tax on this dividend income if you are within the standard income tax band

but your company pays corporation tax on them as they're considered part of your profit.

The general rule of thumb, according to my accountant is this: if you expect to make £25,000 in net profit in any one year, you'd be better off, tax-wise, as director of your own limited company.

But there's one final point that, for me, tips the balance in favour of a limited company **every time**. As a sole trader, your business is **you**.

If a "sole trader" business goes under, you have to pay for its debts from your own resources and this might mean losing your house.

A limited company has its own debts (albeit probably guaranteed by you up to a certain limited extent) so if it goes under, this doesn't affect you to such a degree although it is still, by all accounts, nightmarish.



3. *RUNNING COSTS*

Getting started is all very well but there's even more money to be saved when it comes to running your business day to day.

Tip 1: Work from home

For some people having an office is as synonymous with business as the sharp suit and BMW. That's a fantasy. Business is simple – spend less money than you take in. A home office is cheaper than any other sort. Let's look at the alternatives:

Leased Offices

This is the traditional sort: you rent offices and sign a lease for up to 5 years or so. If you **really** want to scare yourself, just work out what you're committing to when you sign up. Let's say your rent is £1,000 per month – that's a **£60,000** commitment! You'll also pay Business Rates on top of that and don't imagine these bear any relationship to your Council Tax: Business Rates are much, much higher. And remember, you are expected to leave the offices as you found them and this can result in **expensive** refitting of carpets etc (delapidation costs).

Once your business is secure and you can seriously (and without undue optimism) look several years in advance **then**, if you feel there is no alternative, you could investigate Leased Offices but keep the term as short as you possibly can.

Serviced Offices

A much more practical alternative to leased offices: serviced offices include everything in a monthly fee. You can usually have a monthly rolling contract so you're only ever committed to that month. The fee includes rent,

rates and, usually, broadband provision. You usually have the services of a receptionist and basic office facilities such as photocopying and faxing.

The monthly rent will be higher than those of leased offices but the flexibility means that you don't need to rent offices big enough for the full term but can rather rent offices small enough for now and then easily move to another bigger office if you need it.

For almost every small and micro business, the serviced office is the best choice. Don't be tempted into the myth of the leased office unless you are **very** sure of your future.

Working From Home

Of course, you don't necessarily get off scot-free if you work from home. If you convert a room into an office then you may well be liable for Business Rates on that room (although your Council Tax bill should be reduced a little) but it all depends on various factors including:

- The extent of the alterations
- Whether you have staff or customers visiting your home office

- How many hours you work there
- Whether the room is used exclusively for business

Seek advice from your accountant. In any case, the cost is still going to be much less than renting an office.

...of course if your work is largely based on using a laptop, there's no reason why you shouldn't work from multiple rooms in the house leaving them all suitable for domestic use.

Tip 2 : Cheap Telecoms

This is a simple one. If you're considering a separate business line, don't bother. Sign up with **Skype** and you pay a small yearly fee to have a standard phone number that customers, suppliers and colleagues can ring. By far the simplest and most convenient way to use this is to buy a cordless Skype phone which connects to your wi-fi router and behaves in exactly the same way as a standard phone – no need for a computer at all. I've had a Netgear cordless Skype phone for a couple of years now and it works like a treat.

Tip 3: Free/Cheap Software

Office Software

OpenOffice is a pretty good word processing, spreadsheet and presentation suite which is compatible (to a large degree) with Microsoft's Office range – and it's entirely free.

Google Docs is a free online document, spreadsheet and presentation suite which is partially compatible with Office. Personally, I find it clunky and limited in features and don't use it.

Microsoft Office: Home and Student Edition. It only costs around £80 but you're not allowed to use it for business purposes. I would not, in any way, recommend using it in any other way...

Email

You can, of course, get email for free by using the client built into Windows or by downloading and installing Mozilla's Thunderbird. However, a

Gmail account is probably a better idea as Google offers by far the best spam prevention I've seen, free of charge, saving untold time over a year. Google Apps Pro is an online service that includes Google Docs but, most usefully, it enables you to link Gmail with your own domain name so you

can be emailed at **your.name@yourdomain.co.uk** rather than yourname@googlemail.com . It costs a couple of quid per month and it has transformed the way I handle emails. All of my businesses are now set up to redirect into that account and I can send emails as if they are from those businesses. No need for a junk filter or anti-virus email checker (although you do need anti-virus software for scanning your computer), it's fast and almost no crap gets through.

Antivirus

AVG Free Edition!

Tip 4: People – Hire No-one

Once you have more work than you're able to cope with, you'll need to think about how to get it done. The obvious, conventional, view is to employ people. My advice is **don't**. You should only employ people on normal terms as a last resort.

- Work your arse off first.
- Outsource second.
- Employ on fixed term contracts third.
- Employ on "permanent" contract last.

These are some of the problems with employing people in the normal way:

- You have to pay Employer's National Insurance contributions in addition to passing on their NI contributions and Income Tax. This

means that you must hire or outsource management of payroll to someone who knows what they're doing.

- You become liable to all the provisions of Employment Law. This means you need to also hire an employment law consultant (usually on a retainer) to make sure you don't get the wrong side of the regulations (and don't imagine you'll be ok by using common sense either...)
- Same for Health & Safety!
- It's difficult to change your staffing levels if income drops away
- These people become friends so you end up unable to sleep worrying about **their** mortgages as well as yours!

So, the lesson is to keep your staffing to the absolute minimum and only hire permanent staff when you must.

You can find people to work for you through:

www.peopleperhour.com

www.guru.com

www.elance.com

But be warned – the internet is full of horror stories when it comes to hiring out work this way. The ideal way is to have someone recommended (ask on Twitter, for example) or hire via the above links for a very small project and work out whether you can trust the freelancer and whether their talent matches their rhetoric.

Tip 5: Sort out your Banking

Don't mix your business and personal finances, it's a recipe for chaos. If you want to streamline your book-keeping then by keeping your finances separate you'll be able to upload your statements and have your online software analyse most of the transactions automatically. FreeAgent does this exceptionally well and is my recommended accounting package.

You may be shocked to hear that, unlike with personal banking, business banking is **not** usually free. However, most banks offer 18 months free banking and if you choose the right tariff can be reasonably economical. Be warned, however, that overdrafts are **expensive**. Do not borrow money

unless you can: a better option might be to take out a personal loan in your own name and lend the money to the business that way, the rate is likely to be much lower.

4: *SELLING ONLINE*

If you've decided to sell a product via an online shop you have, essentially, two choices. Firstly, you can download and install ecommerce software to your server. Secondly, you can sign up to a hosted service.

The **free** ecommerce solutions are all intended to be installed on your server. Now, I'm a PHP programmer but even I have elected not to do this. This is largely because setting the software up on your server is much more complex than signing up to a hosted service. It's also because, in my view, none of the free ecommerce packages are up to the job. The other disadvantage of downloading and installing it yourself is that you're then

responsible for upgrading. On the other hand, the benefit is that you only pay once (depending on the vendor's upgrade policy) whereas hosted solutions require a monthly fee.

BigCommerce

I've evaluated or used several ecommerce packages and BigCommerce is by far the best choice. It has an excellent feature set, is dead easy to use and, crucially, is being constantly developed. Having used the truly awful EKMPowershop for a month, BigCommerce is in a different league and we've now operated our store for many months without any significant problems.

To sign up for a free trial, click here: <http://www.bigcommerce.com/575-0-1-29.html>

Avoid Free ecommerce

This is one of those areas where there simply isn't a free ecommerce solution that can match the commercial offerings. There's too much at stake.

Website

If you're not selling a product, you'll still need a website: **you can't have a business without a website!** Fortunately, putting together a professional business website is now cheaper and easier to achieve than ever.

WARNING: Do **NOT** be tempted to use the following:

- A “create your own website” CDROM from PC World (or wherever) that uses a template driven approach. The end results will be shite. Really.
- A web based free “create your own website” wizard provided by your host. Again, the end result will be outdated, derivative and will reflect badly on your business

Here's my recommended process for getting your website together:

1. **Register your domain name** – this domain name should either be your business name or your main keywords (and preferably both if

you named your business properly). I use HeartInternet.co.uk for my domain name registrations.

2. **Choose a high quality, low cost host.** In the UK, my recommended suppliers are [Zen Internet](#) (I recommend the Silver package which is currently £7.99) and [Heart Internet](#) (I recommend the Home Pro service which is currently £8.99 per month)
3. **Install WordPress.** If you chose either of the above suppliers, they each come with one-click(ish) installation of WordPress so this can be achieved by anyone – even someone with no technical experience. WordPress, although it's a blog tool, is just as capable of building a standard website.
4. To have WordPress look how you want it to look, you can install a free “theme”. This is all achieved from within WordPress using the dashboard and is extremely easy.
5. **Power tip:** I strongly recommend downloading and installing the Thesis theme from <http://www.diythemes.com> . Thesis costs money (around £60) but it will pay you back many, many times over. This is

because it allows you to make many design changes within the control panel rather than hacking the code whilst also allowing those with CSS knowledge an easy way to modify the theme. Thesis is also great at making your site Google friendly – there’s far more to say here than I have room for but take it from me, Thesis is the best theme I’ve ever come across and I use it across ALL my sites (including MicrobusinessEntrepreneur.co.uk) ¹

- 6) **Install a range of important plugins.** These plugins add functions to WordPress to make it more useful – more often than not these are plugins that help with engaging your visitors and getting them to interact with you or their friends via your site. Again, this is not the place for going into this in detail (email me if you want to ask any questions). The plugins I recommend, as a minimum, are: **Sociable** (helps users spread your posts via social media), **Subscribe to Comments** (allows users to keep up to date with a discussion), **What Would Seth Godin Do** (prompts new visitors to join your site), **WP to Twitter** (updates Twitter each time you post to your blog/web page) and **Yet Another Related Posts Plugin**

¹ I offer **very** reasonable rates for installation, configuration, design and hosting of WordPress/Thesis sites.

(lists posts that are similar to the current one, thus encouraging visitors to explore more of the site).

- 7) **Fill it with content.** This should be easy: show your passion for your business! Write a list of **at least** 50 posts/pages you could write about your business and get it written. Don't sell relentlessly – engage and interest your readers. Get them onto a mailing list and build an audience.

Marketing your website

There are, broadly speaking, two ways to promote your business: Free and Paid.

Pretty obviously, it's going to be a whole lot cheaper to promote via free methods **but** paid internet marketing in particular is a fantastic way to get a lot of traffic quickly. Most online businesses use a mix of the two with the free methods paying off over the long run and the paid methods being effective from the start.

FREE Marketing

Search Engine Optimisation

SEO put simply, means making your site rank as high as possible in the Google search results. Note we're not talking about the "sponsored listings" but rather the standard ("organic") results. Before I go any further, let me warn you off any company who claims to be able to get you a "page 1" or even "top" position via SEO. What will happen is that you'll pay an arm and a leg to some shyster who will then deliver on his/her promise by getting

you a front page position for a long combination of very low traffic keywords. Pointless.

Fortunately, SEO isn't (or shouldn't be) a black art. What Google (etc) wants is "relevance" – it wants its searchers to see a "relevant" set of results and it does this in two ways. Firstly it compares the search term typed in with the content of your site and works out how closely you match the search term. Secondly, it looks at how many other sites it respects link to you. The second is harder to achieve than the first.

Here are a few tips to improve the relevance of your site's content:

- Make sure each page/post is about one topic
- Give the page/post a title containing the right keywords
- Include those keywords within the page, concentrating most on the top and bottom.



- Include the keywords within your headings, especially main (<h1>) headings
- Add “ALT” descriptions to each image.

What’s going on here is that you’re making it easier for Google to rank you higher by making the purpose of each element of your site more obvious. All of the tips I’ve given here will make your content more useful to a *human* and Google rewards you for that.

My favourite book for implementing good SEO is [Get into Bed with Google: Top Ranking Search Optimisation Techniques](#) by Jon Smith.

Social Marketing

I'll keep this brief:

- **Set up a Facebook Page for your business.** On that page, set up the “Notes” application to pull the posts from your blog on a daily basis. Get all your existing Facebook friends to become fans – this way your blog posts will appear on the walls of all of your friends so that *their* friends will see them, thus (hopefully) increasing your fans. These people can then be marketed to in the same way as to a mailing list.
- **Set up a Twitter account.** Find someone who tweets about the same subjects as you and “follow” them. Now “follow” some of their followers. Some will automatically or manually follow you. Don't be tempted to cheat your way to lots of followers: 1,000 real fans (which may take 12 months to garner) is far better than 10,000 fake ones.

Paid-for Marketing

- **The Sponsored Listings** that appear alongside most searches you do in Google (and Bing, and Yahoo) are paid for adverts. Google has the lion's share of the market so it's there that you should start initially. Get your campaigns working profitably on Google first and then move onto the others. This is not the place to go into Google Adwords: whole books have been written on the subject and if you intend to manage your Adwords campaign yourself (and, in my view, you should) then you should get one or both of these:

[Adwords for Dummies](#) by Howie Jacobson

[Ultimate Guide to Google Adwords](#) by Perry Marshall.

Autoresponder. Some people would say this isn't marketing and that there are free Autoresponder services but once you get beyond a certain minimal size you'll need to use a paid for service so I've included it here. Seth Godin wrote a seminal book called "Permission Marketing" and it revolves around the principle of building up a group of people who have

given you permission to market to them (as opposed to “interruption marketing” which is the more normal form).

An autoresponder sends out messages in a pre-determined sequence so when a prospective customer signs up, they get a message on day 1 (for example), then another on day 2, day 5, day 10 etc. Once set up, they are sent without any intervention by you. By providing **true value** to your mailing list (not selling to them per se) you build up a relationship and your prospective customers come to see you as an expert in the field. When they’re ready to buy, they’ll buy – no need for a hard sell.

The Autoresponder is still underused despite having been around for such a long time but it’s easy to set up and has long term value.

Perry Marshall, one of the pioneers of autoresponder use, has some sequences that are 2 years long (albeit that the interval between emails gets longer and longer over those 2 years). My recommended service for mailing



lists and autoresponders is **MailChimp**. Do **not** let someone leave your site without offering them the opportunity to sign up with you.



SOME EXAMPLES

Here are some example business set-up costs. Bear in mind that the costs will vary depending on the specifics of your business but they're a reasonable indication.

An Information Business

Specific Model: John wants to make money from the ebook he's written. He's established that there is a market for it.

Prelaunch Social Media: Twitter account tweeting about the subject. Facebook fan page. Blog regularly updated with new articles. Cost: **FREE**

Product development: Existing word processor with PDF output (eg Word 2007 or OpenOffice). Subscription to clipart.com for 1 week to download photos or clipart for the book: £7.95 (note, if you do this, be careful – the clipart is generally of poor quality but many of the photos are excellent). Cost: **£7.95**

Business setup costs: Register as limited company: £29.95. FreeAgent: £22.50 per month (including 10% discount by clicking the link on www.microbusinessentrepreneur.co.uk) . SkypeIn subscription which gives you a fixed-line phone number for your customers to ring on your Skype phone: £35 per annum. You'll also need to set up a Paypal account to receive payment. Total Cost: **£87.45** for launch

Marketing: This is up to you, but if you want instant sales then you'll need to use Adwords to attract visitors. An initial budget of **£100** is realistic.

TOTAL COST: £195.40 + ongoing FreeAgent and Skype subscriptions

Selling a Physical Product

Specific Model: John wants to import freaky teddy bears from China via a UK warehouse. He's established that there is a market for it.

Prelaunch Social Media: Twitter account tweeting about the subject. Facebook fan page. Blog regularly updated with new articles. **Cost: FREE**

Stock Purchase: Who knows? Initially John should buy minimal stock even though the cost to him per unit will be higher. Possible Cost: **£250.00**

Business setup costs: Register as limited company: £29.95. FreeAgent: £22.50 per month (including 10% discount by clicking the link on www.microbusinessentrepreneur.co.uk) . SkypeIn subscription which gives you a fixed-line phone number for your customers to ring on your Skype phone: £35 per annum. You'll also need to set up a Paypal account to receive payment. Ecommerce package: I recommend BigCommerce @ \$24.95 per month (around £18.50).

Total Cost: **£105.95** for launch

Marketing: This is up to you, but if you want instant sales then you'll need to use Adwords to attract visitors. An initial budget of **£100** is realistic.

TOTAL COST: £455.95 plus ongoing ecommerce, Skype and FreeAgent costs.

Setting up as a physical service provider

Specific Model: John wants to set up and market his garden landscape business. He's established that there is a market for it.

Prelaunch Social Media: Twitter account tweeting about the subject. Facebook fan page. Blog regularly updated with new articles – yes really there's plenty you can write about when it comes to garden landscaping!

Cost: **FREE**

Equipment Purchase: This is a complete unknown but assuming he can use his existing car, he's likely to need to spend at least **£500** on equipment

Business setup costs: Register as limited company: £29.95. FreeAgent: £22.50 per month (including 10% discount by clicking the link on www.microbusinessentrepreneur.co.uk) . SkypeIn subscription which gives you a fixed-line phone number for your customers to ring on your Skype phone: £35 per annum.

Total Cost: **£87.45** for launch

Marketing: This is up to you, but if you want instant sales then you'll need to use Adwords to attract visitors. An initial budget of **£100** is realistic.

TOTAL COST: £687.45 plus ongoing Skype and FreeAgent costs.

NEXT STEPS

You've heard the phrase "everyone's got a novel in them" but the difference between "everyone" and a novelist is that the latter has actually **written the book**. Instead of talking about it or dreaming of seeing his novel on the shelves of WH Smiths, Terry Pratchett, for example, got on with the hard slog of writing the thing.

It's the same with entrepreneurs. "I'm thinking of starting up my own business" is something you'll hear time and time again (you've probably said it yourself, I know I did) but an entrepreneur is someone who **acts on**

their business idea. Being an entrepreneur is not about money per se , it's all about **doing it, making things happen.**

If you're serious about starting your own business then it's essential to get on with it and step 1 is to **plan**. These are the basic steps:

1. Generate ideas
2. Test their commercial viability
3. Develop your product/service based on what you learned in (2)
4. Set up your business - including registration, bank accounts, accounting software, website etc - **at the lowest possible cost**
5. Launch
6. Market (repeat 6 ad infinitum)

This book will help you with many of these (particularly 4) but you'll get even more from the book I wrote for PCPro's publisher Dennis Publishing: [How to Set Up an Online Business.](#)



I can also help you with website development - whether that's a marketing website for a physical business or service, an ecommerce site or a web application. I can also host and maintain your site.

I can also provide consultancy and advice on a formal or informal basis to help you get your business up and running following the steps on the previous page.

Make sure you keep visiting MicrobusinessEntrepreneur.co.uk for the latest advice on starting up and running a small business but, above all, **get on with it!!!**

Escape to Victory

Do you have a business idea but are unsure how much it'll cost to get up and running? Then this is the book for you.

In this book, I'll help you to start up and run your business for the minimum cost with the minimum risk. Whilst it's not possible to start a real business for zero cash, you might be surprised at just how cheap it is to create a profitable enterprise.

An entrepreneur is someone who takes a business idea and makes it a reality. Come on, let the entrepreneur in you flourish.



Kevin Partner is a multiple small business entrepreneur and currently runs four businesses. A writer, PHP programmer and marketer, Kevin is fascinated by the secrets of successful, sustainable business and writes about this on his blog MicrobusinessEntrepreneur.co.uk and in the pages of PCPro Magazine, the UK's biggest circulation technology magazine.

