

# Helping You Succeed in Business

## 7 Steps to Business Success

This guide provides seven steps to help you assess whether your business will be a success. Starting your own business is a rewarding and challenging career option however, be mindful that many new businesses (50-80%) fail in their first three years of operation because of poor planning and management. A few ideas to help improve your chances of success are:

- **Consider your suitability:** Start a business where you already have industry or management experience. Studies show that those starting a completely new venture have a higher risk of failure. If you are starting a new venture ensure that you are continually learning new skills and researching your industry.
- **Consider your idea:** Assess the merit of your business idea and determine whether people will be willing to pay money for your product/service.
- **Consider your market:** Develop a way of consistently reaching your customers, because you need customers to survive and you might need to do a lot of marketing until you get a name for yourself.
- **Consider your competition:** Check out what your competition are doing, because you need to have a competitive advantage to survive.
- **Consider the environment:** Try to keep in touch with what is happening in your industry, the general trends and the overall economic situation so you can take into account factors that might affect your success.
- **Consider your finances:** Keep accurate and up to date financial records and manage your cash flow. A close eye on performance means you can address problems straight away rather than leaving it too late.
- **Consider your start-up:** Make sure you have enough money to cover your start-up. Many people budget optimistically and then, when in trouble, they find banks are not willing to lend money because of the risk involved.

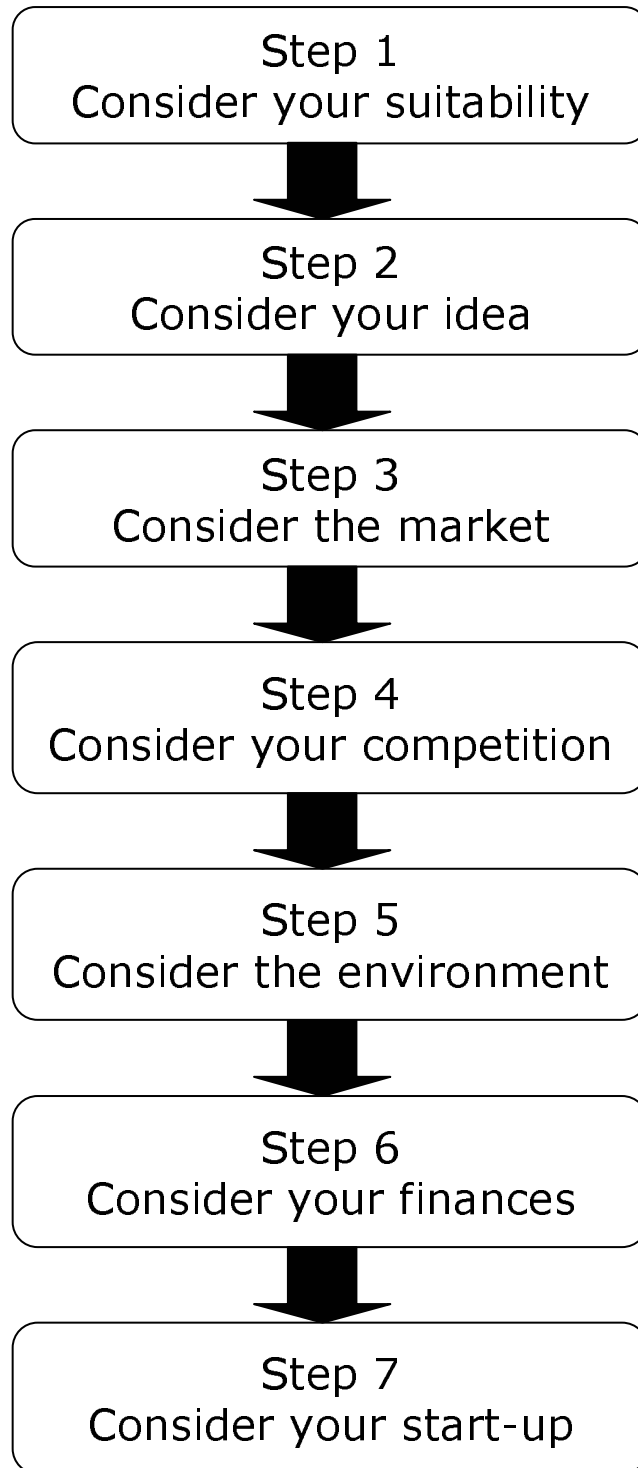
**What do I do next?** After you finish going through this guide, it is a good idea to complete a business plan as it can increase your chance of obtaining finance as well as help you to assess the feasibility of your business idea. The Department of State Development, Trade and Innovation offer a range of products and services that can assist you with planning for your business. These include interactive online tools, tailored business planning and information kits, and a range of business related books and resources.

For more information, call 1300 363 711 or visit  
[www.smartsmallbusiness.qld.gov.au](http://www.smartsmallbusiness.qld.gov.au)

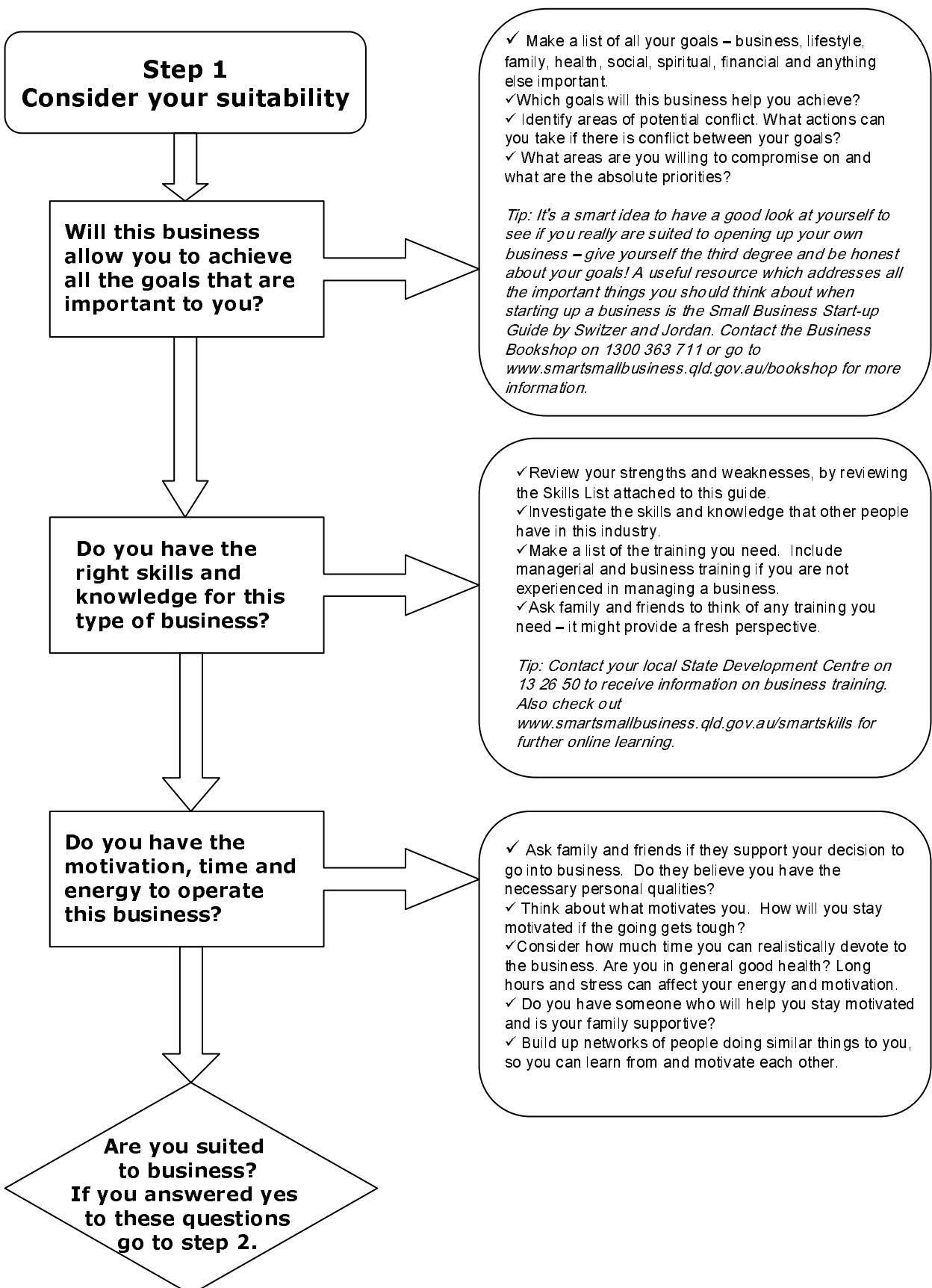


You can also assess for yourself how prepared you are to go into business by taking the Business Readiness Diagnostic quiz – online at  
[www.smartsmallbusiness.qld.gov.au/businessreadiness](http://www.smartsmallbusiness.qld.gov.au/businessreadiness)

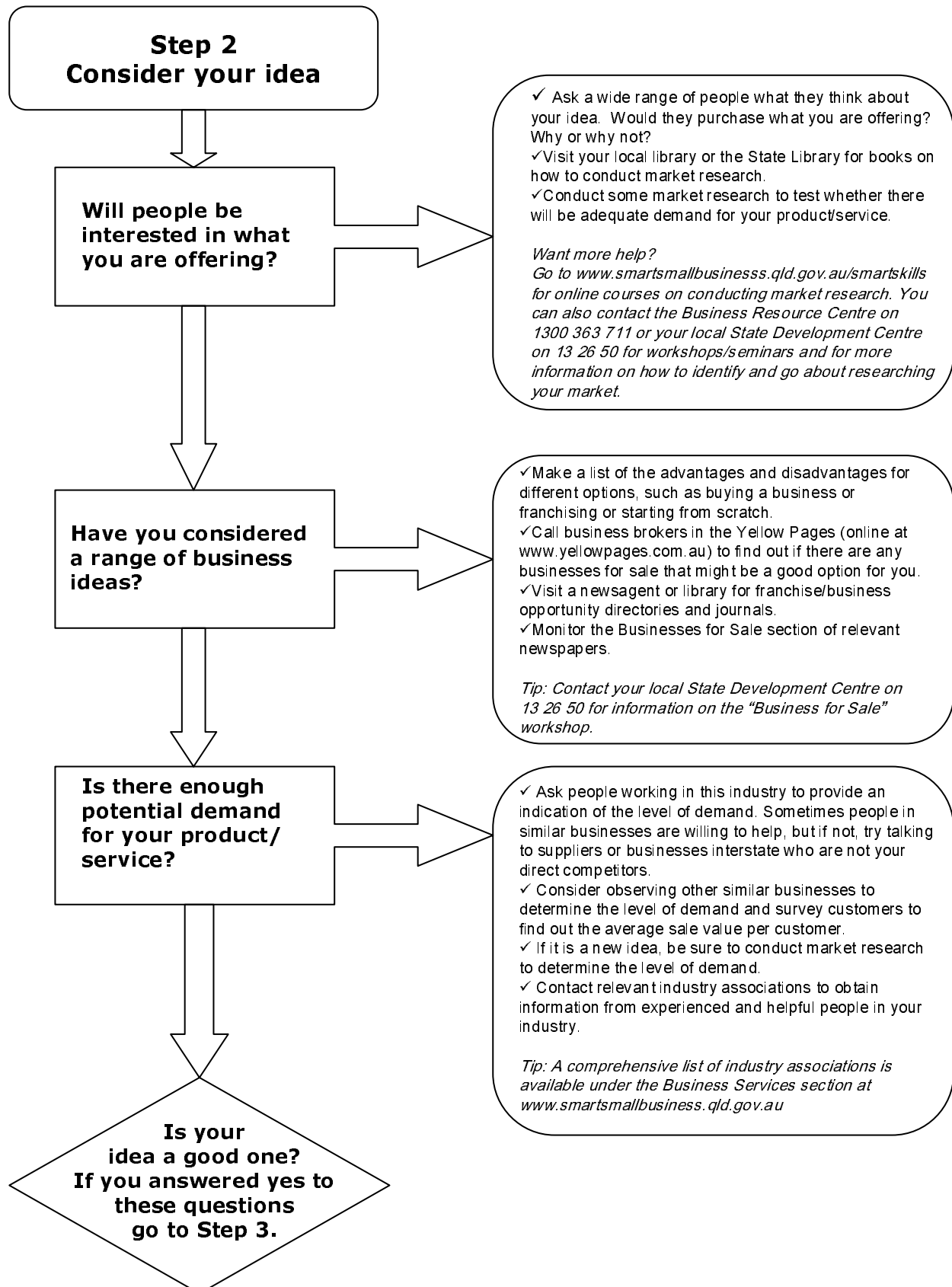
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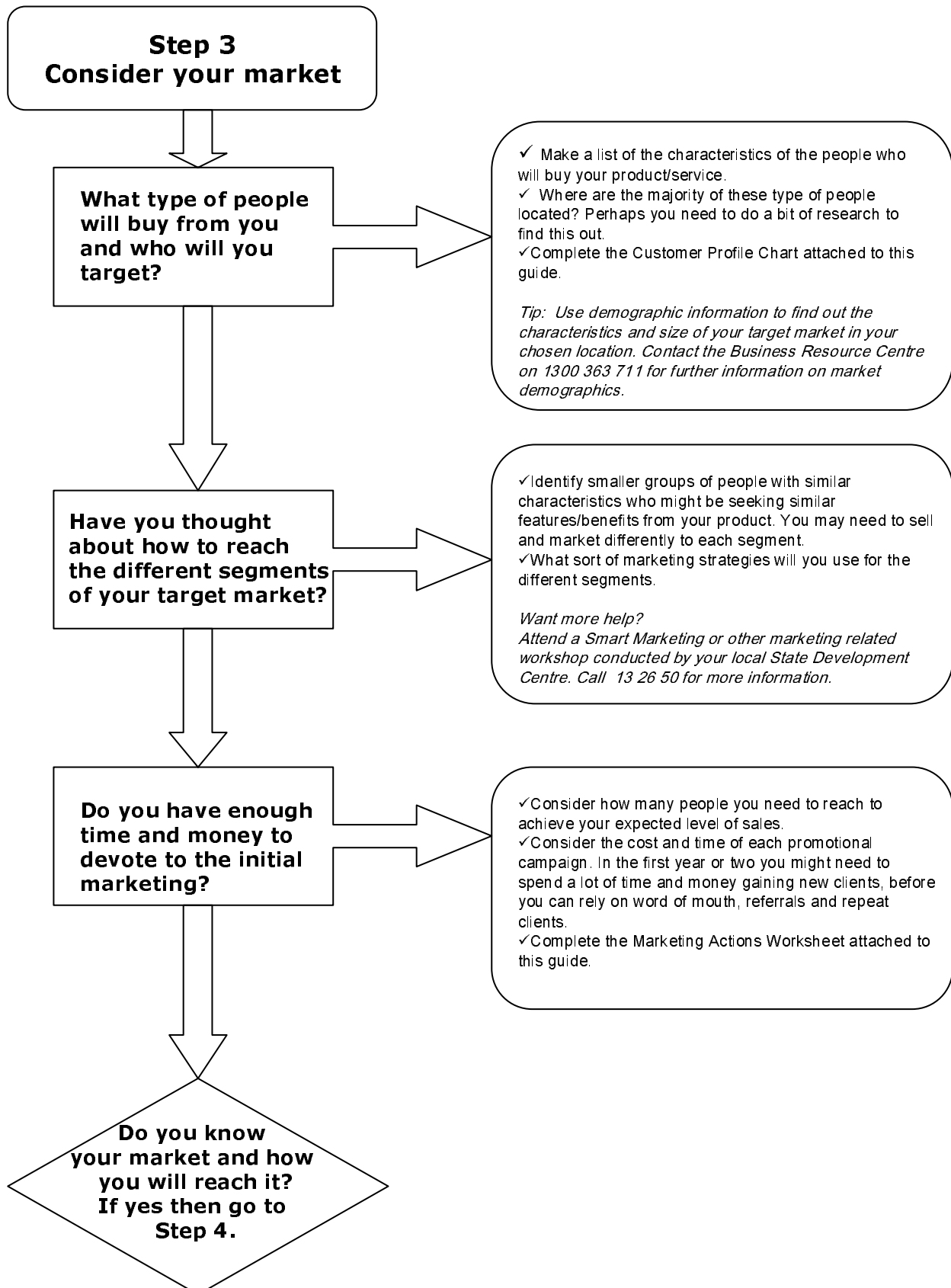
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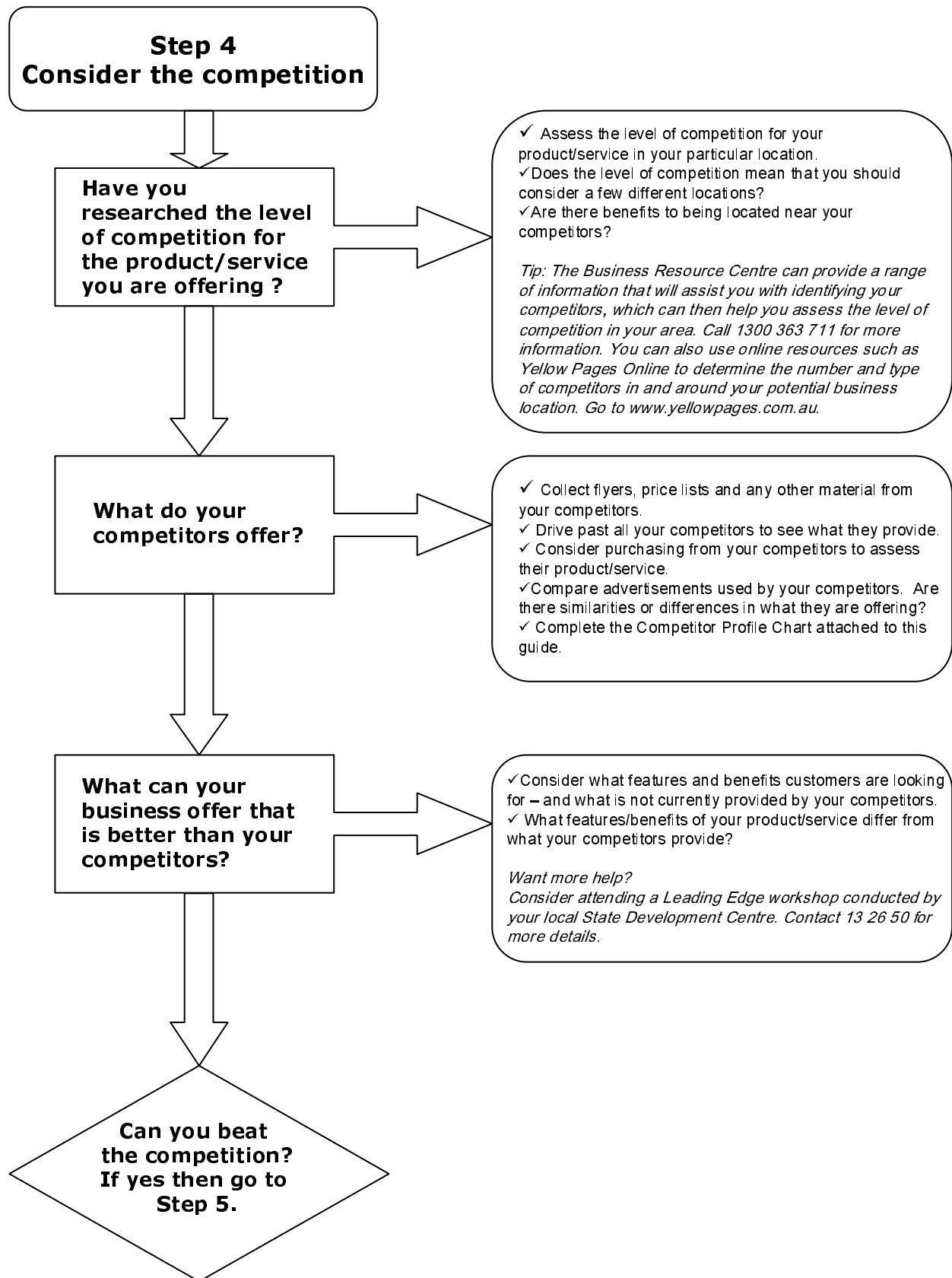
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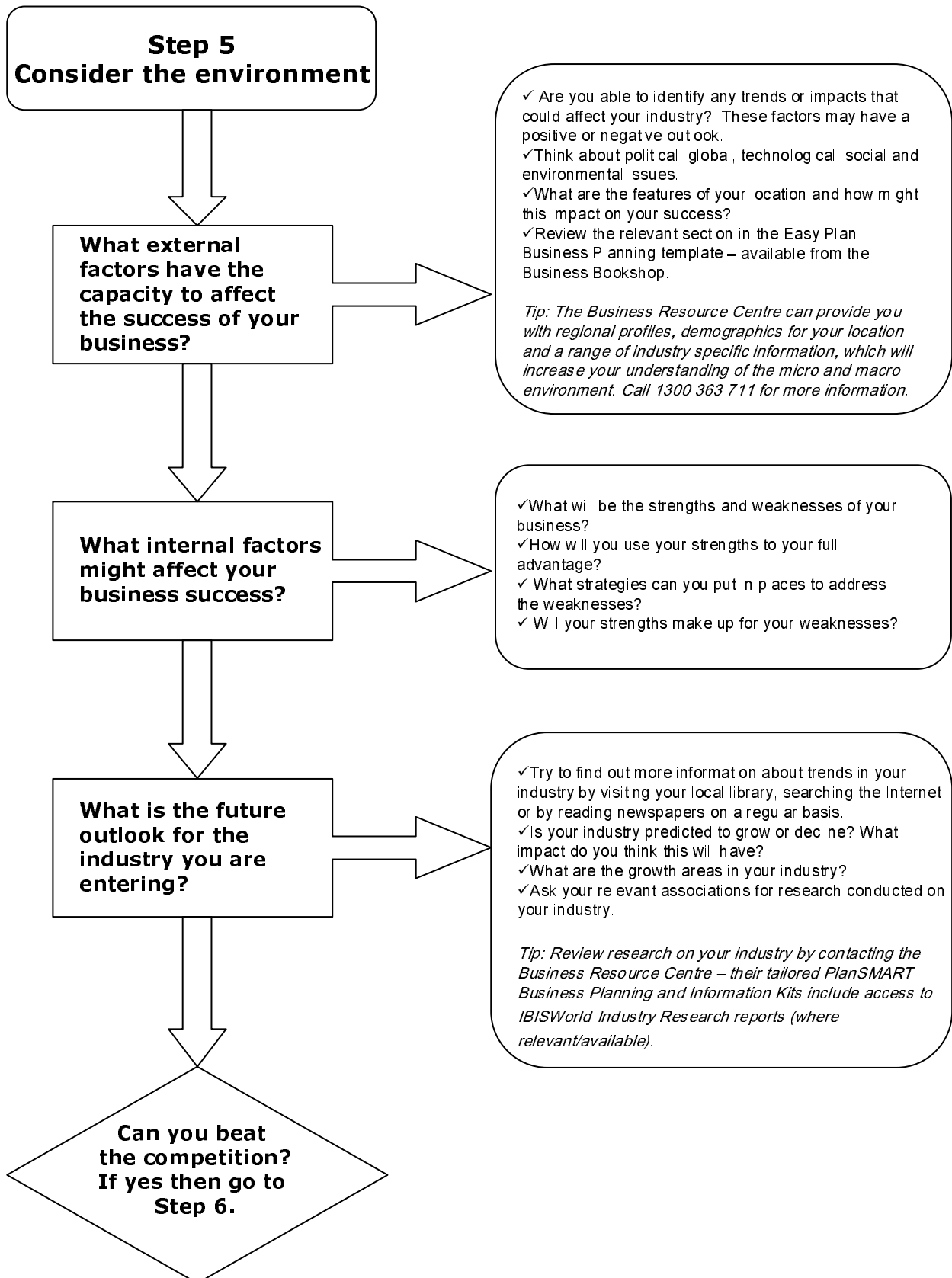
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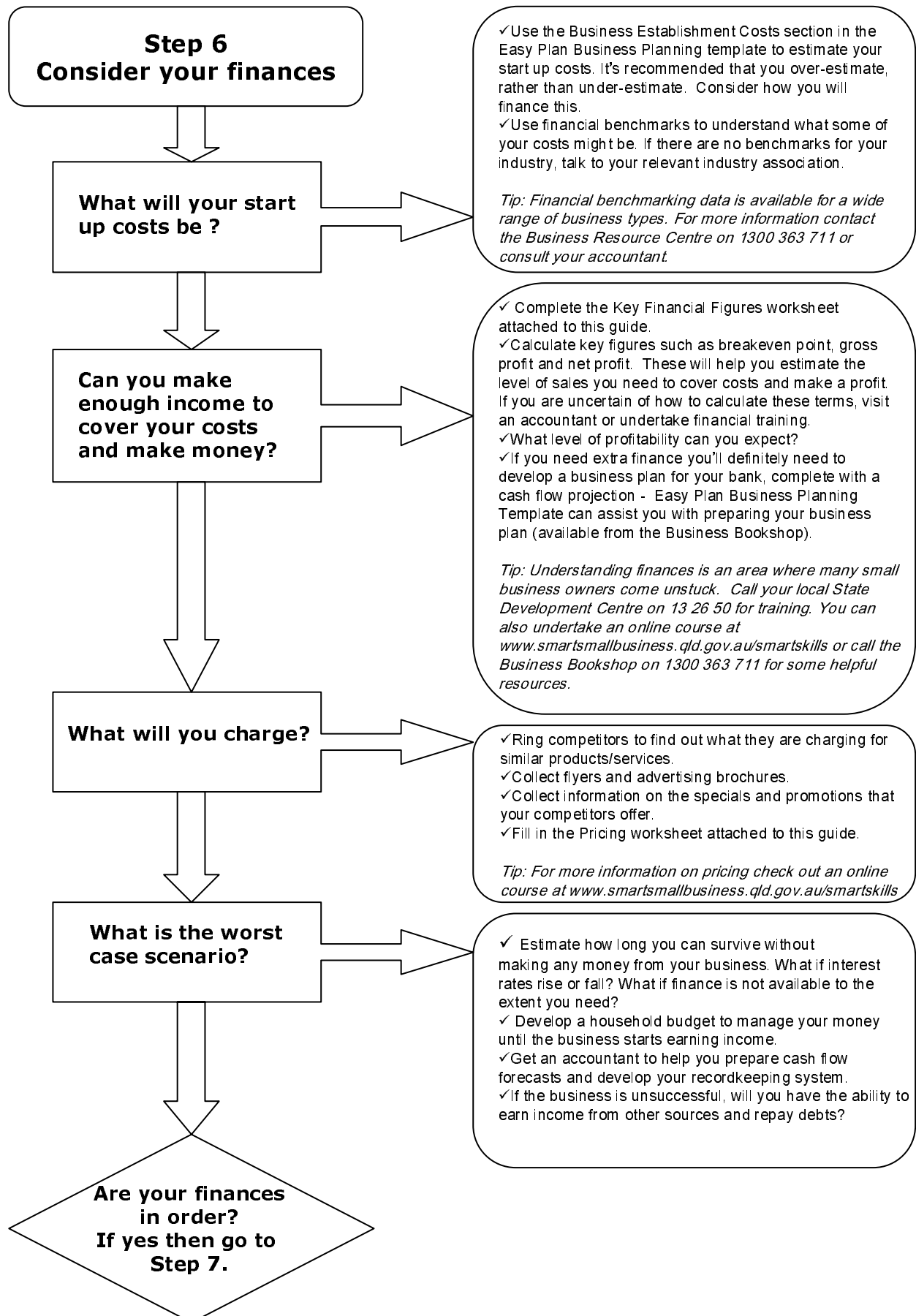
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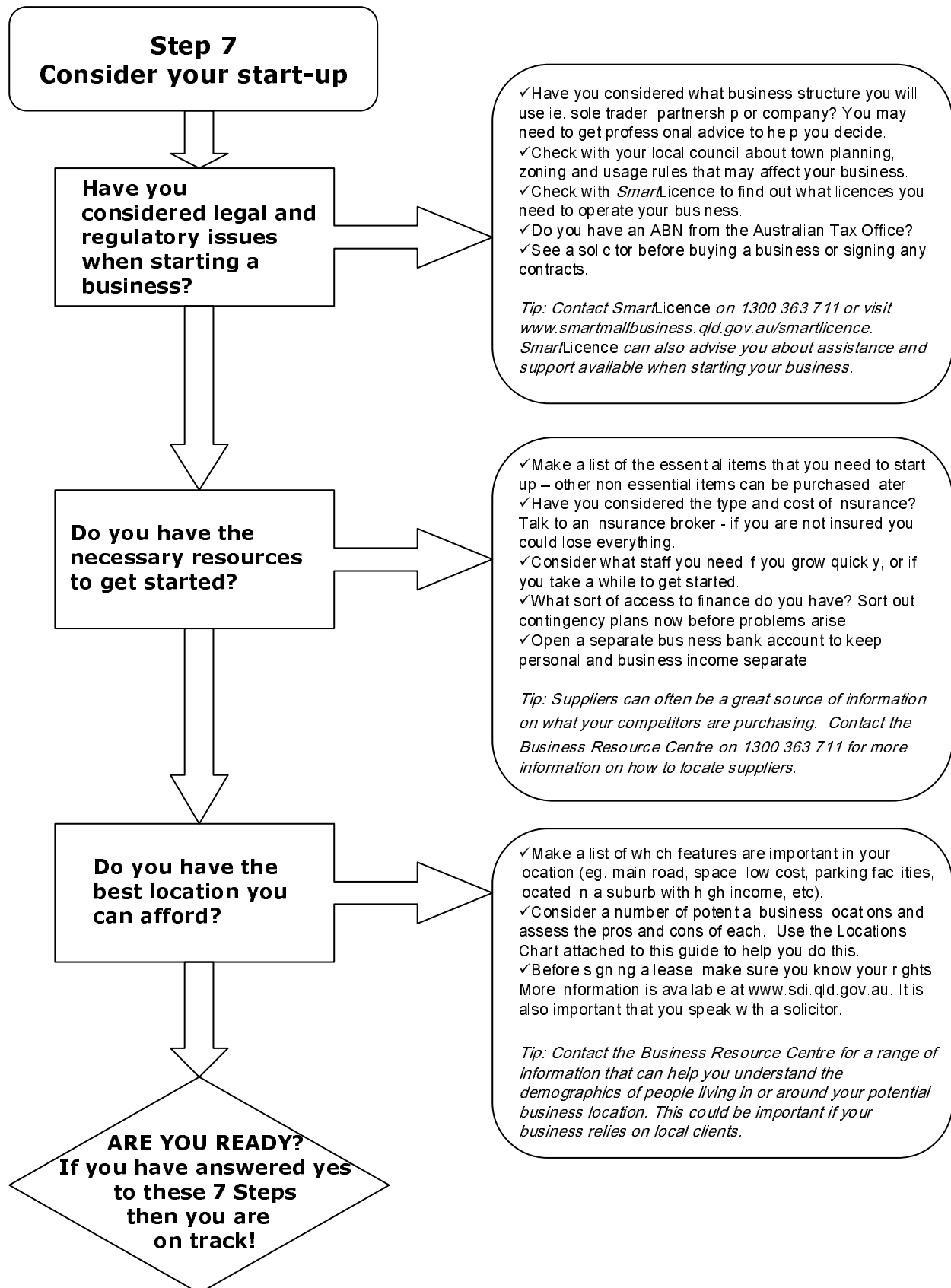
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# Attachment 1: Small Business Skills List

Which of these skills are important in your business and which do you have?

## Financial Skills

- |  |  |
|--|--|
| <input type="checkbox"/> Profit Planning & Budgeting | <input type="checkbox"/> Financial Forecasting     |
| <input type="checkbox"/> Bookkeeping                 | <input type="checkbox"/> Credit Management         |
| <input type="checkbox"/> Purchasing                  | <input type="checkbox"/> Cash flow Management      |
| <input type="checkbox"/> Costing and Pricing         | <input type="checkbox"/> Cost Analysis and Control |
| <input type="checkbox"/> Payroll                     | <input type="checkbox"/> Tax Planning              |

## Marketing Skills

- |  |  |
|--|--|
| <input type="checkbox"/> Written and Presentation Skills | <input type="checkbox"/> Competitor Analysis |
| <input type="checkbox"/> Selling                         | <input type="checkbox"/> Product Development |
| <input type="checkbox"/> Customer Analysis               | <input type="checkbox"/> Merchandising       |
| <input type="checkbox"/> Promotion                       | <input type="checkbox"/> Market Research     |
| <input type="checkbox"/> Graphic Design                  | <input type="checkbox"/> Product Testing     |
| <input type="checkbox"/> Negotiation                     | <input type="checkbox"/> Advertising         |

## Management Skills

- |   |  |
|---|--|
| <input type="checkbox"/> Co-ordination and Planning | <input type="checkbox"/> Training and Teaching |
| <input type="checkbox"/> Communication              | <input type="checkbox"/> Problem Solving       |
| <input type="checkbox"/> Delegation                 | <input type="checkbox"/> Stock Control         |
| <input type="checkbox"/> Interpersonal              | <input type="checkbox"/> Decision Making       |
| <input type="checkbox"/> Recruitment                | <input type="checkbox"/> Leadership            |
| <input type="checkbox"/> Supervision                | <input type="checkbox"/> Time Management       |

## Attachment 2: Customer Profile Chart

<b><u>Who are they?</u></b>		
	<b>Applies? Yes/No</b>	<b>My Customers...</b>
<b>Age:</b> child, teenager, young or middle aged, retired		
<b>Family:</b> size, small medium large, non traditional, extended		
<b>Gender:</b> male female		
<b>Occupation:</b> labourer, technical, professional.		
<b>Income level :</b> lower, middle, high		
<b>Education:</b> primary, secondary, tertiary.		
<b>Cultural background:</b> caucasian, african, asian		
<b><u>Where are they?</u></b>		
<b>Location:</b> inner city, suburban, rural, which suburbs		
<b>Distance:</b> distance from your business, locality preference		
<b>Residence:</b> low, medium, or high density housing		
<b><u>Customer Characteristics</u></b>		
<b>Personality:</b> leader, status conscious, outgoing, introvert.		
<b>Buying behaviour</b> comfort, convenience, economical, pride.		
<b>Buying patterns</b> seasonal, usage rate, frequency of purchase.		
<b>Lifestyle</b> health conscious, family oriented, career oriented, community active.		
<b>Expectations</b> service, quality, risk, influence.		

# Attachment 3: Marketing Actions Worksheet

Client Characteristics	Market Segments	Marketing Strategy	Predicted Effectiveness	Potential Cost
<p><b>Example: Gym</b> Males &amp; females, health conscious, mid-high income, all ages, inner city locations</p>	<ul style="list-style-type: none"> <li>•Corporate females interested in stress management</li> <li>•Young males interested in body building</li> </ul>	<ul style="list-style-type: none"> <li>•Brochures distributed in mainly female workplaces with specials for Pilates classes.</li> <li>•Advertisement with body building photo in local sports news paper</li> </ul>	<ul style="list-style-type: none"> <li>•200 brochures distributed with 2% conversion rate equals 4 new clients</li> <li>•Readership of 2000 with conversion rate of 1.5% (30 clients)</li> </ul>	<ul style="list-style-type: none"> <li>•\$50</li> <li>•\$250</li> </ul>

## **Attachment 4: Competitor Profile**

<b>Answer the following questions for each of your competitors.</b>	
<b>Name:</b>	
What is their location?	
How would you rank their location? Why? ie exposure, traffic flow, access, parking, other businesses	
How many customers do they have in a particular time period? (ie you could watch the store/office)	
How many employees do they have?	
How effective are their employees at doing their job?	
What is their pricing policy?	
Which customers are they targeting?	
How do they advertise/market themselves?	
What is their competitive advantage?	

# Attachment 5: Financial Figures Worksheet

## Income

How much income do you desire \_\_\_\_\_?

Are you prepared to earn less income in the 1<sup>st</sup> – 3<sup>rd</sup> years \_\_\_\_\_?

What minimum income do you require? \_\_\_\_\_

What financial investment will be required for your business? \_\_\_\_\_

How much could you earn by investing this money (A)? \_\_\_\_\_

How much could you earn by working for someone else (B)? \_\_\_\_\_

Add the amounts in A and B. If the income is greater than what you can realistically expect from your business, are you prepared to forego this additional income to be your own boss with the prospects of more substantial profit/income in future years?

## How to Estimate Sales

1. Try approaching your relevant Industry or Association data to obtain benchmarking data or organisations or use the benchmarking data provided in the Plan *SMART* Kit (if available).
2. Market Potential/Market Share. Find out the turnover for your industry. How many competing businesses are there. Divide the turnover by the number of businesses to work out the market share for each business. This is the sort of turnover you should be aiming for.
3. Observe your competitors, how many customers do they have, how much do they spend. Observe at different times of the day and week. What do you think their daily or weekly turnover would be?

# Attachment 6: Pricing Worksheet A

Step 1: What are your competitors charging?					
	Competitor A	Competitor B	Competitor C	Competitor D	Average
Product/Service 1					
Product/Service 2					
Product/Service 3					
Product/Service 4					

Step 2: What is your strategy?				
<input type="checkbox"/> <b>Elasticity Pricing:</b> When demand for a product is sensitive to the price. Eg. grocery items.  ✓The higher the price the lower your demand. ✓You may need to experiment to find the best pricing level.	<input type="checkbox"/> <b>Skimming pricing:</b> For new products where initial price is set high to attract people who most want it and who are willing to pay eg. technology.  ✓Reduce the price when demand falls to appeal to price sensitive buyers.	<input type="checkbox"/> <b>Penetration Pricing:</b> aims for high sales through a lower price. For products/services that would not attract an initial elite market. Low profit margin.  ✓Make sure you can sell high volume to make your profit	<input type="checkbox"/> <b>Image Pricing:</b> The perceived image of the product outweighs the actual price, such as luxury goods.  ✓Investment in marketing is important to communicate luxury	<input type="checkbox"/> <b>Discount Pricing:</b> This method is aimed at the budget end of the market where consumers are willing to forgo some quality or service for a lower price.  ✓Discounting is a difficult strategy to maintain good profit levels

Step 3: A few methods to help work out your prices			
<b>Use a simple "mark-up" method</b>	<b>How?</b> Take the cost price and add a certain proportion to all the items eg. 50%. Talk to your suppliers, competitors or associations to find an industry "norm".	<b>When?</b> Useful when you have multiple products at different price points and the costing method is too complex	<b>Remember</b> to adjust the mark-up depending on your strategy. For example, if you are using penetration pricing you would use a lower mark-up than competitors.
<b>Use a costing method</b>	<b>How?</b> Calculate all your fixed overheads. Add this to the cost of sales (the variable cost to sell each product)	<b>When?</b> This is the best method to use to make sure you are maximising your profit, although it can be a more time-consuming and labour intensive method	<b>Remember</b> To use a costing method you really need to have excellent record-keeping so you know all your costs
<b>Use a charge per hour method</b>	<b>How?</b> Refer to the next table for a step by step guide.	<b>When?</b> When you are delivering a service rather than a product	<b>Remember</b> It is easy to over-estimate the number of hours and days you have available to work. Take into account all your leave.

# Attachment 7: Pricing Worksheet B

4. How to calculate a charge per hour for Services			
1. Calculate maximum Number of hours available	A Number of Hours Per Week (eg 38)	B Number of weeks per year (eg 52)	AxB Number of hours per year (eg 38x52 = 1976)
2. Deduct time off	C Public Holidays & Annual leave (eg 30daysx8hrs=240hrs)	D Sick Leave and Misc (eg 40days x 8hrs = 320hrs)	(AxB) – C – D Total chargeable hours (eg. 1976hrs – 240hrs – 320hrs = 1416 hrs)
3. Calculate total turnover required per year	E Estimated Overheads per year eg. \$32,000 (calculate this using your financial figures worksheet)	F What profit would you like to earn per year? Eg \$35,000	E+F Total turnover needed per year (eg. \$32,000+\$35,000 = \$67,000 turnover)
4. Calculate charge per hour		H Total Chargeable Hours (eg. 1416)	(E+F)/H Total turnover divided by total chargeable hours (eg. \$67,000/1416 = \$47.31 per hour)

## **Attachment 8: Locations Chart**

	<b>Location 1</b>	<b>Location 2</b>	<b>Location 3</b>	<b>Location 4</b>
What is the passing traffic like?				
Is it near an intersection? Does it prevent access?				
Is there ample parking?				
What fittings are included and what quality are they?				
What is the general appearance of the building?				
How much space is there? Is there adequate space?				
Are you located near your clients?				
What is the cost?				