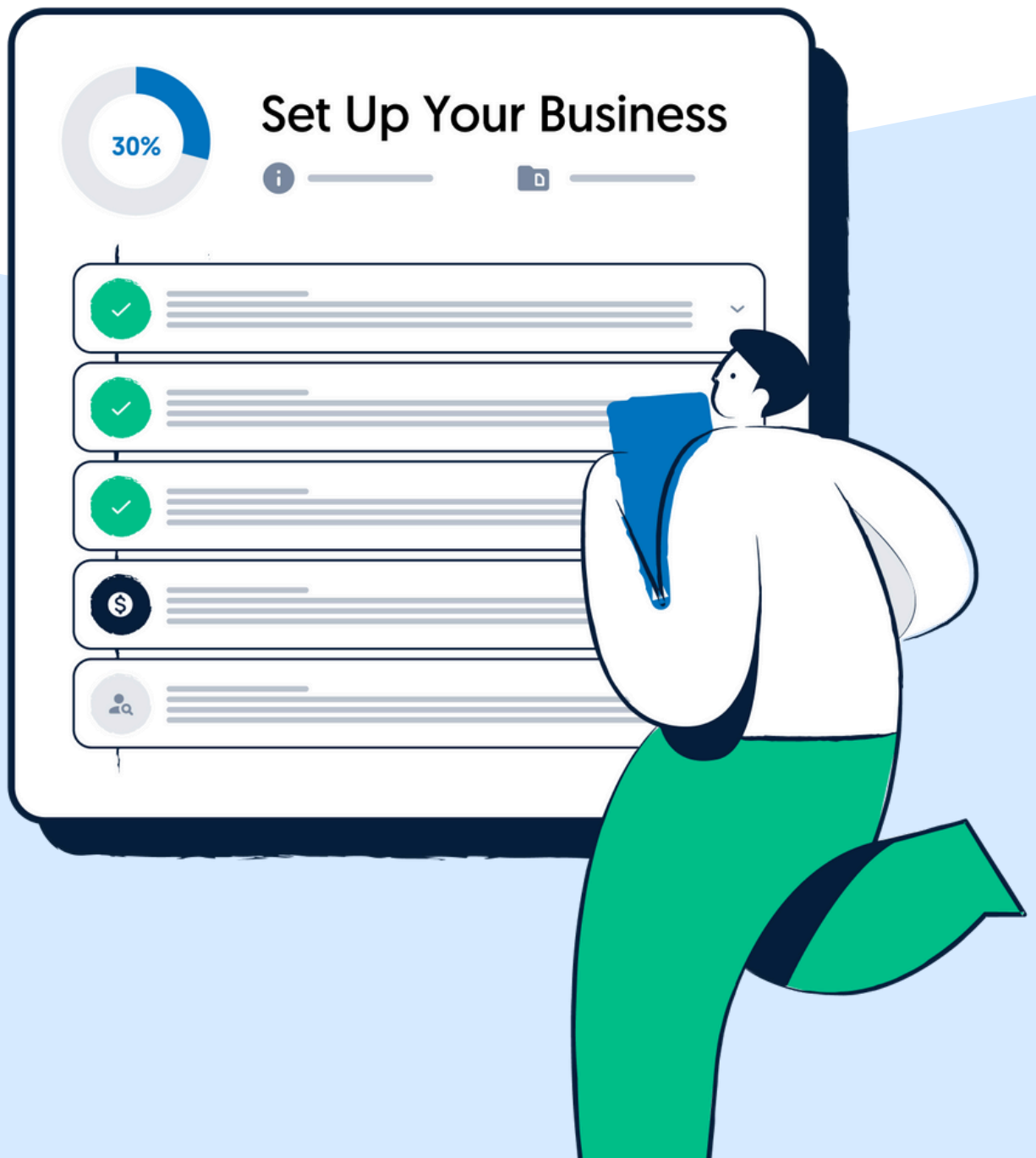


How To Start Your Business



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Research Your Big Idea



That one moment when your idea came to life in your subconscious was clearly inspired. But it helps to undertake some research to make sure you're not the only one who thinks so. It's imperative to do the market research to validate and refine your idea.

Why do customer research?

- To better understand the problem(s) you are seeking to solve
- To define your target market and build the personas
- To understand the size of the market and opportunities that are present
- Learn if the market would purchase your product/service to define your unique selling points.

Why should you do a competitor analysis?

Conducting competitor analysis helps you identify and refine your unique selling points by highlighting what sets your business apart. It's essential to understand what competitors do well so you can learn from their strengths and improve your own offerings. Analysing customer reviews of competitors can reveal gaps or weaknesses in their products or services, offering valuable insights into what customers want but aren't getting.

This information also assists with setting competitive pricing and provides a solid benchmark to evaluate your performance.

Ultimately, it helps you determine why a customer would choose your business over another, strengthening your market position.

Market research methods

Here are a few proven market research methods you can use to get the information you are looking for:

- Search the internet (desk research) – public studies or customer groups and follow their comments on social media and community groups
- One-to-one conversations – ask open-ended questions and let them do the talking
- Host workshops or focus groups – ask questions to a group of customers to get deeper answers as people will spark off each other
- Start a community – if your customers are enthusiasts, bring them on your start-up journey. Share updates, ask questions and invite them to be beta testers.

Developing a Competitor Analysis

Customers can tell you a lot about your competitors so you will use many of the same market research methods to find out who you're up against.

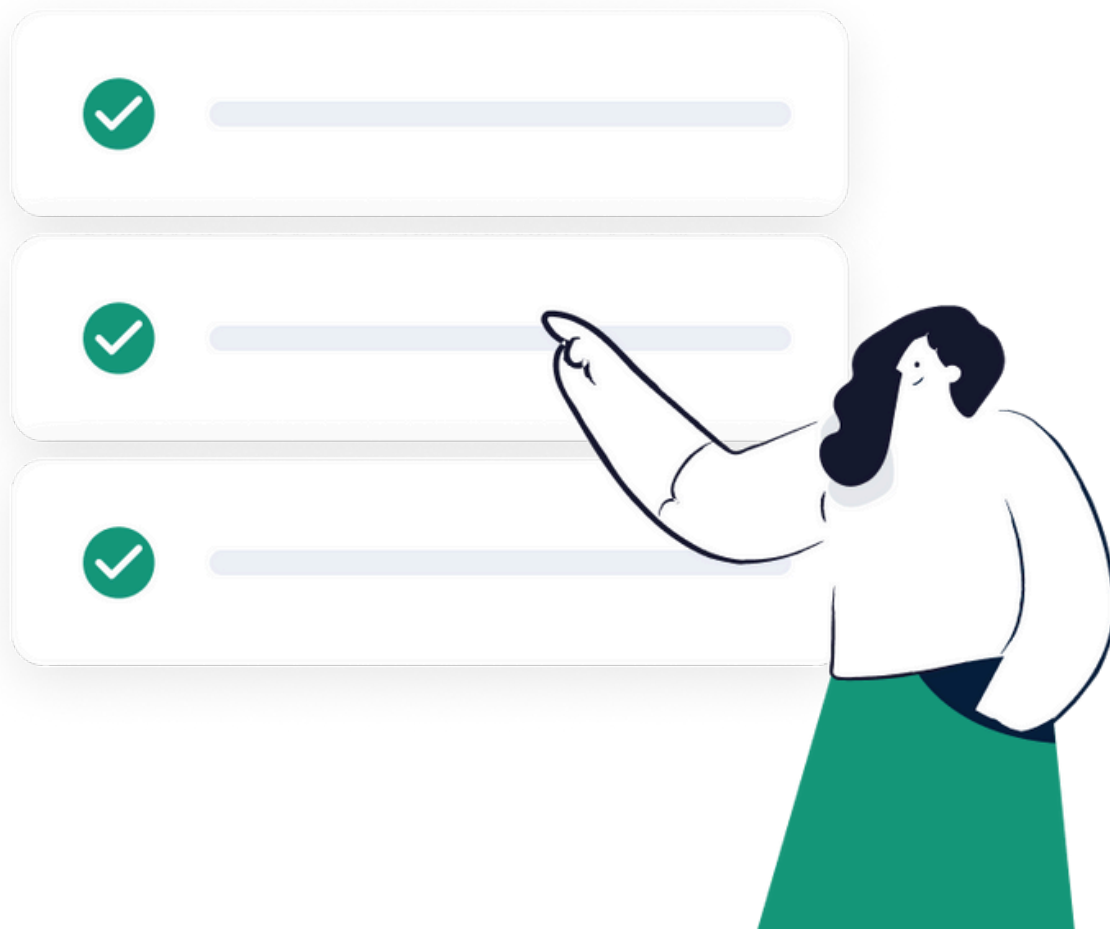
1. Identify your competitor

Some competitors will be obvious, but you will find more by asking customers who they currently purchase from. Consider indirect competitors as well who sell different things but go after the same dollar (cupcakes v doughnuts).

2. Compare competitors

Competing businesses often want different parts of the market. One will be a premium option, while another will compete on pricing. They could target different age groups or locations so it's best to map how they relate to each other.

Create a Business Plan



Writing a business plan can help nail down your idea and give you a blueprint for executing it. Plus, you need this to apply for finance. Let's identify the key elements that make up a business plan.

What is a business plan?

A business plan describes your company's core activities, what the objectives of the company are and explains how it will achieve these objectives. It will identify who your ideal customers are and explain why they need your product or service. It also outlines the business model and how the business will generate income to sustain and grow.

Why your business should start with a one-pager

Even if you eventually develop a long business plan, a one-pager is a great place to start and could take as little as an hour to create your first draft and make your idea stronger. Writing about your potential customers, competitors, income and expenses and the market, will help you develop your thinking.

When you need a longer business plan

The greater the risk you're taking, the more comprehensive your plan should be. For instance, you'll need to write a long-form business plan if you're going to fund it with other people's money. Banks and investors will expect it.

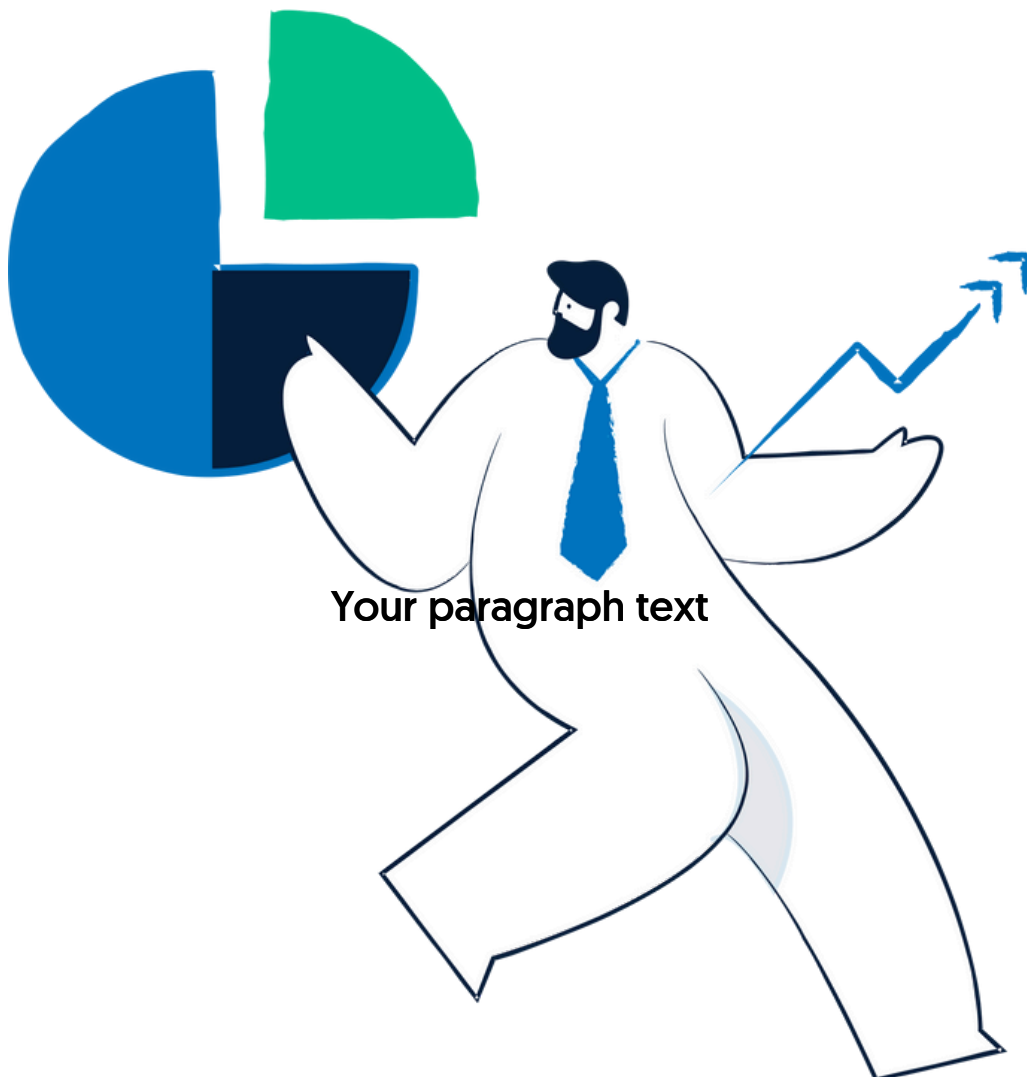
This touches on the same things as the one-pager but goes into more detail and contains fewer assumptions. Simple numbers need to be replaced by forecasts and budgets, guesstimates for things like costs, market size and customer preference, etc. need to be backed up. It's a good idea to involve an accountant or bookkeeper in developing the budgeting and finance sections.

Key features of a business plan

- Executive summary – summary of the main points of your plan
- Company overview – identify your industry, what you're selling and how you'll charge
- Products/services – describe the problem/gap in market you're trying to solve
- Market analysis – outline your target market, examine the competition
- Risk assessment – flag potential hurdles
- Marketing and sales plan – how will you find customers and make sales? Number of sales?
- Milestones – what needs to happen and when
- Progress reporting – when and how will you report against the milestones
- Team – who will be involved in the business and what are their skills/responsibilities
- Budget – estimate your costs and income
- Finance – show how you'll fund the business

For more information, visit the [Australian government page](#) on developing a business plan or see Lawpath's [business plan template](#)..

Budgets & Forecasts



Your paragraph text

It's time to run some numbers on your business idea. Budgeting and forecasting help with this so let's break down the basics so you can build a financially sustainable business.

What is a budget?

A budget predicts how much money will come and go from your business over a period. Budgeting and forecasting help start-ups see if they can afford to start the business – and if it will repay all their hard work with a return on their effort.

Purpose of a budget

Budgets predict the money-making potential of a business, but they also tell you things like:

- How much it will cost to start up
- Whether you'll need to borrow money
- Your break-even point
- What you need to charge customers
- Whether you can afford staff



Small business budgeting mistakes to avoid

- Don't forget to deduct sales and income tax from sales revenue
- Some jobs go wrong, and some inventory gets broken. Build contingencies
- Remember to calculate how much interest you'll pay on loans
- Factor in costs to ensure your business against liabilities and disasters
- Put money aside to cover depreciation of assets like work tools (because you'll have to replace them eventually)

Creating a financial plan for your business

You're going to have a lot of set-up costs to contend with. Include a section in your business plan on how you'll make up the difference. Will you dip into personal savings? Pitch investors? Go to the bank? Or turn to family and friends?

The difference between a budget and a forecast

Both are often treated the same, but there are important differences. Small business budgeting shows how you expect the business to perform over a given period. Forecasts use real-life sales and cost data to show where things are headed.

For obvious reasons, you want to know if the two are seriously out of whack. So, check your budget against actual business numbers regularly so that you can fix problems before they get too big and spot opportunities before they're missed.

Set Your Pricing

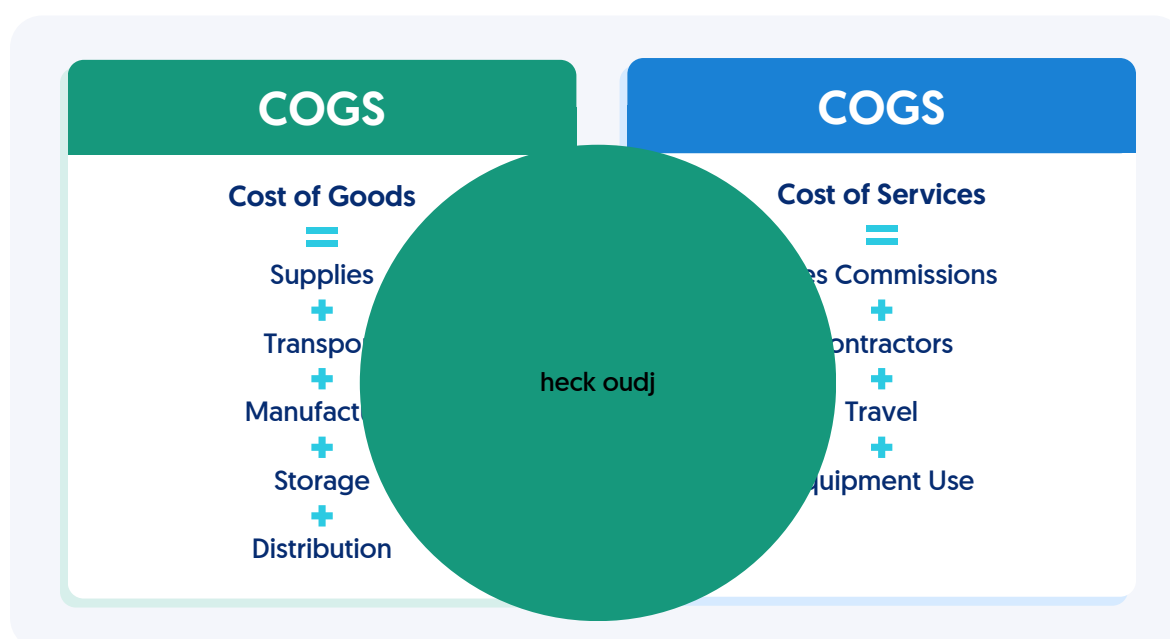


Pricing can influence the number of sales you make and the profit you earn on each transaction. Let's look at some pricing strategies to help find a balance between the two.

What is the cost of goods sold?

COGS (in short), tells you what your business spending is to deliver a product or service to your customers. It's treated differently to general costs like rent or employee wages. Look for expenses that occur only when a service or good is provided and expenses that increase or decrease as sales increase or decrease.

You can get a good idea of your COGS by performing this calculation (some of the items below may not apply):



What are pricing strategies?

Now that you know your COGS, you know the minimum amount you must charge to make money. But it helps to have a system to work out what you should add.

Cost-plus pricing strategies

You can simply add a standard markup to everything you sell. Check if there are industry-standard markups, as they can give you a good place to start. An accountant or bookkeeper with experience in your industry will know.

Market-based pricing strategies

Check out the range of prices that your competition charges and:

- Go higher if you offer more convenience, a premium experience, or a key value proposition that solves a customer pain point.
- Match the average if you don't want to turn off price-sensitive shoppers.

It's not a good idea to go too low unless you have a steady supply chain and expect a lot of sales.

Launch pricing strategies

New products (or businesses) sometimes use temporary pricing strategies to try and grow their customer base. These include:

Penetration pricing

Where you lower margin to increase sales volume. This can attract new customers fast, but the trick is to keep them when your prices go up.

Price skimming

Where you hike prices on new products or services believing that enthusiastic early adopters will pay more. Then you drop prices later.

Sweetener deals

Where you set prices high but offer introductory discounts. It allows you to create the feeling of a deal without permanently devaluing your products or services.

Price bundling

Some businesses bundle a few products or services together at a slight discount. Their profit margins come down, but they sell more items as a result. Some market research will tell you what product combinations will work.

Pricing methods and COGS are key to profitability

There are two levers for making money in business – your margin and your sales volume. They're both affected by price. So give lots of thought to what you charge.

Start by working out your COGS, so you know the least you need to make on a sale. And then use some of the pricing strategies outlined here to work your way toward a ticket price.

Accountants and bookkeepers can help a lot with the numbers. They will understand industry norms and can help tell if your margins are too thin.

Choose A Business Structure



Your business structure can affect how much tax you pay, and how you're treated by the law. It's worth considering the pros and cons before deciding on your legal setup.

Business structures and their effects

The main types of business structure are sole trader, partnership, trust and company. Your choice will affect your admin burden, tax, legal status and your ability to raise money by selling shares.

If you don't choose a business structure

If you don't choose a structure when starting a business, you'll be assumed to be a sole trader which is how most people start out. However, it's worth understanding what it means to be a sole trader and getting your head around the other structures. Speak to a lawyer or accountant before making any changes.

What is a sole trader

A sole trader is a single-owner business. It doesn't have to be a single-worker business, so you can hire staff. The advantage of a sole trader is that it's cost-effective to set up and the tax is simple. You just declare the income and expenses within your personal tax return. The disadvantage is that a sole trader doesn't have any special legal status, which means the owner is personally responsible for what the business does. If the business gets into debt or legal trouble, so does the owner. Also, it cannot sell portions of the business and is limited from a tax minimisation perspective, with marginal tax rates going up to 47%

What is a partnership?

A partner can own 99% of the business, or 50% depending on the partnership agreement. The advantage of a partnership is that it's easy to set up though you'll need an official letter that sets out the agreement between partners. Tax is simple too as you just declare your share of business income on your personal tax return or complete a form available from the ATO.

If the business gets into financial or legal strife, the disadvantage here is that the partners do too. You could also get into difficulty if one of the other partners does something wrong, meaning this structure is high risk.

What is a company?

A company is legally separate from its owner (or owners), which means you're less exposed to legal or financial issues. A company can be owned by one person or many. The advantage here is that you get some legal and financial protection if things go wrong – your accountant or lawyer can give you the lowdown. Companies generally pay a lower tax rate with it currently fixed at 25% (or 30% for non-base-rate entities). You can sell shares within the company and if you are serious about running a business, this may be the structure for you.

The disadvantage here is that it will cost you more to operate as a company than as one of the other structures. There's also more admin and you will need to know how the company will operate before you get started.

What about trusts?

It's not unusual for businesses to set up as trusts. They're more complex than the other structures, but they may be useful for estate and tax planning. Speak to an accountant to see if they're for you.

Where do franchises fit?

If you buy into a franchise, you don't automatically become part of their business. You form your own business and enter a deal with the franchisor. You may be able to choose your own business structure, or the franchise agreement may require it to be set up in a specific way, such as a company.



Register Your Business



After all the excitement of deciding to start a business, you'll have some paperwork to do. These first tasks as a business owner won't be the most fun, but they'll help keep you out of trouble with the law.

How to register a business with the government

Register a business name – unless you're trading under your personal name, you'll need to register a business name through the Business Registration Service.

Get an Australian Business Number (ABN) – this is a quick way to identify your business to the government and the tax office. Put it on your invoices to ensure customers don't withhold pay-as-you-go tax from the amount they pay you. You can also apply for this through the Business Registration Service.

Apply for licenses and permits – you may need special authority for certain business activities, such as running a business from home or employing people. Some industries have very specific requirements. Find out more from the [Australian Business License and Information Service](#).

How do I register a company?

You'll need to choose and register a name and get set up with the Australian Securities & Investments Commission (ASIC). You will also need to submit documents explaining how your company will operate and identify who the decision makers will be. You can start the process through the [Business Registration Service](#).

Should I trademark a business name?

You can legally protect a business name and logo to prevent others from mimicking your identity. This can be a valuable step for businesses that plan to invest a lot in making their brand widely known. Ask for advice from a legal professional but at the very least, use trademark registries (and search engines) to check that no one already has your business name.

Sort your Accounting



If you're starting a business, then you'll need to get familiar with some accounting basics. Let's look at the main tasks, some time-saving tricks, and find out who can help with your small business accounting.

What is accounting?

Accounting tracks money as it comes and goes from a business. Some of that information is reported to the government to calculate taxes. But mostly the information helps you manage the business better. Accounting allows you to track the company's financial position and financial performance for any given period(s).

Do you need an accounting software?

It is important you are recording the business transactions so you can make sense of the data. To do this, accounting software will make your life a lot easier.

A few things you'll need from your accounting software;

Automatic bank feeds – to bring transactions in each day automatically [most offer this].

Payroll capability – under the ATO's single touch payroll reporting, you will need to submit the payslips to the ATO within a week of them being created. The accounting software will allow you to do this.

Reporting – different software has different reporting capabilities. Ensure the software you choose offers the reporting that you need to make sense of your data.

Small business accounting basics

Accounting is a massive topic, but for most small businesses it boils down to record-keeping of business transactions (basic bookkeeping), creating financial reports to help manage the business and deals with a range of tax and reporting requirements.

1. Record-keeping of business transactions (bookkeeping)

A reliable and up-to-date picture of income versus costs will tell you:

- If you're profitable (or at least heading in that direction)
- If you have enough cash flow to pay upcoming bills
- Everything you (and your accountant) needs to know for tax purposes

This is critical to good small business accounting

2. Creating accounting reports to help manage the business

If you're working in the business, you'll have a rough idea of how things are going. But you'll want to base your strategic decisions on something more than instinct and feel. Small business accounting gives you the insights you need.

Things to check weekly

Sales

There is no cash flow without sales, so keep a close eye on them.

Profit

Keep some of those sales dollars after costs and taxes are taken out. Check your net profit margin too as this will show what percentage of sales revenue becomes profit.

Wages

Probably your most variable cost so smart staffing decisions can go a long way.

Money owed to you

Check invoices are getting paid as late payments means less money in the bank which creates unpleasant knock-on effects for the business and well being.

Additional things to check

Budget v Actuals

See if things are going as planned. If not, why not?

Liabilities

Stay on top of what's owed across loans, bills and taxes.

Cost of Goods Sold (COGS)

Stay aware of inventory, transportation and storage costs to get your pricing right.

Last Year v This Year

Compare numbers from the same time last year to see if the business is getting stronger.

How to stay on top of the numbers

Tax is one of the first things that comes to mind when you think about small business accounting, and for good reason. Mistakes can be costly. The three most common forms of tax are:

Income tax

Income tax is the tax that is due on the company profits. It is income less expenses multiplied by the tax rate. The tax return is prepared on an annual basis with the tax changing substantially between different entities. Getting the structure right is critical.

GST

Add a tax to your sale prices and later pay that money to the government. Usually prepared and lodged on a quarterly basis.

Employee-related taxes

Collect tax from employee pay (PAYGW – withholding taxes) and send to the government. Employers in some states and territories may also have to pay payroll taxes when wages become higher. These are lodged when the payslips are prepared as part of the single touch payroll reporting requirements, with the tax usually paid on a quarterly basis.

Lowering your business taxes

Business costs reduce your taxable income and therefore your tax bill, so make sure they're all accounted for you. You need specialist knowledge to work out what all your deductible costs are. Get help from your accountant.

Get help from a professional

A BAS agent can look after your GST and business activity statements (BAS). A tax agent can help with income tax and end-of-year reporting.

Grants and other support

There are many governmental support programs and incentives for a vast array of businesses. These vary from state to state, the type of business activities and the business model. A good accountant will be able to review what you are doing and provide advice on eligibility for these programs.

Create Your Website



Treat your website like an online version of your storefront. It's the first impression for many customers and prospects. Get the basics on how to set up a business website, what to put on it and how to turn it into a money-maker.

How do I create a business website?

1

Register a web address (domain name, URL)

Several companies can register a domain name for you. Search for domain registries online and use their tools to enter your preferred web addresses and see if they're taken. When you find one that's not taken, make sure you claim it.

2

Get someone to host your site

Websites are stored on servers called hosts. You'll be able to find a host for a modest annual fee. Your host will also sell extra products to help protect your site against viruses and malware, and they may sell templates for building your site.

3

Choose the right plan for your website

Before signing a contract with your host, check you have the right plan. You can start off with basic web hosting, but there may be extra costs if you want to add several email addresses or an online shop.

4

Pick a template (or get a custom design)

You can have a website designed from scratch, but many businesses use pre-designed templates these days. There are thousands out there.

5

Get a logo

A well-designed quality logo can make you look incredibly professional. If you don't have a logo, check out design services like Tailor Brands, Fiverr and 99Designs. Ensure your choice of colours and typeface fit your brand. You want a consistent theme across all your stuff.

How do I create a business website?

6

Add your content

You don't have to follow what your competitors are doing but check them out anyway. If something is working for them, learn from it. Then focus on the way in which you can be fresh and different.

7

Test your website

Visit your site from different devices and browsers. Make sure it looks and feels practically the same on all of them. Ask friends and family for their honest opinions.

8

Publish your website

Make your site live and tell everyone about it. Email customers and contacts. See if there are any local directories your site could be added to. Ask relevant business associates to link to you.

9

Set review and refresh dates

Schedule review dates in your calendar to update and edit your site. Keep the information accurate, if you mention topical issues, make sure they're dated and kept up to date.

Not everything on your site should sell!

When creating a website, think beyond what you want from your visitors. Ask yourself what questions they're probably struggling with right now. Can you answer those for them? Here's why it's wise to give away useful information or advice.

Attract people to your site – when people search a topic online, your best articles may start to show up as recommended reading. If content is useful, readers will start to share it with their contacts.

Win prospects over – people love getting tips and tricks. If they pick up some valuable information on your site, they're going to feel good about doing business with you.

Hold onto customers – when you anticipate a customer's next question and answer it, they feel like you get them. It's a great way to build rapport and loyalty.

Stay focussed on your brand

When writing content for your site, it's invaluable to have something that can help focus your thoughts. Jot down the values that are most important to your brand and turn them into a word cloud.

Eight ways to ensure your website is high quality

1. **Relevant** – understand who you're talking to and what they're looking for and create your site for these people.
2. **Professional looking** – treat your site like the first impression it is. Focus on quality.
3. **Trustworthy** – include an 'About' page with contact details, a bit about your story and some images that put a human face to the business.
4. **Easy to find** – build a site that shows up when locals search for your products/service online.
5. **Connected to your social media** – some may find your site through social media so make it easy for them to do this. It's also a great way to show them more of your brand's personality.
6. **Bringing in feedback and testimonials** – nothing beats real-life testimonials from people who have used your product or services before, so invite customers to send reviews.
7. **Always up to date** – outdated information isn't a good look. Take down old promos and avoid putting dates in your text unless you must.
8. **Easy to buy from** - if you're selling through your website, make it simple and secure. Give customers a user-friendly shopping cart, make delivery charges clear before they get to checkout, and offer a variety of payment methods.

Eight ways to ensure your website is high quality

When starting a business, make sure your website is:

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Licenses, registrations and insurances



If you have any industry specific bodies, licenses and/or registrations, it is important you register these against your new business ABN. It is important to do this before you start trading to ensure you are trading legally and adhering to any licensing requirements.

What you should cover

Separately, it is important to make sure you have adequate insurance in place. This will need to be registered against the new ABN which you are planning on trading under. Common insurances are;

Workcover – if you have employee(s) this is legally required and covers against injury of employee(s).

Public liability – covers you for injury or damaged belongings against customers, suppliers and the general public.

Professional indemnity – provides cover if you are giving professional advice.

Product liability insurance – provides financial cover against claims of personal injury or property damage caused by products your business sold or applied.



Have any questions?

Call and speak to Lawpath consultants on

1800 529 728

Find out more

