

Bank of Ireland



A Guide to Starting your business

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Introduction

Bank of Ireland supports hundreds of new start up ventures every week. We are delighted that you are considering taking the step to starting your new business. With the current challenges in the market, it is even more important that new, innovative businesses get the support they need to nurture their ideas and make a real difference to our economy.

To support your endeavours we have at least one dedicated small business expert in every Bank of Ireland branch. These qualified Business Advisers, while having years of business experience and will have a wealth of knowledge on your chosen local market, are there to assist in smoothing the process for you of setting up and successfully running your very own business,.

Every day Bank of Ireland works with business innovators like you and have a number of financial solutions that will to suit your needs. Whether your needs are in the field of financing or asset/invoice finance or simply to save money on your banking costs while you set up your business, we can help.

Take our Business Start-Up Package for example. This was specifically designed with the needs of a start-up entrepreneur in mind. The package contains a number of banking offers two years, along with a number of exclusive offers from a range of businesses to cater for your wider start-up needs.

See www.bankofireland.com/business for details on the full range of financial solutions that we have to help you.

Best of luck with your new business and never forget that we're always here to talk to.

Damian Young *Head of Small Business, Bank of Ireland*

Author, Brian O'Kane

Brian O'Kane is managing director, Oak Tree Press, and the author of Starting a Business in Ireland, which has been a consistent best-seller for the past decade or more, and is now part of the Business Start-Up Package offered by Bank of Ireland to new customers.

"I am delighted to be asked by Bank of Ireland Business Banking to share with you a new approach to starting your own business, which reflects the reality of business and business start-ups by focusing on the key issues that will make or break your start-up. I hope you find it useful – and I wish you every success."

Brian O'Kane *Author*

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This booklet is intended as a general guide for people thinking of starting or expanding a business. Bank of Ireland or Brian O'Kane are not liable for any loss resulting from the use of information contained in this book and strongly recommend that readers seek professional advice concerning any business venture in which they are, or intend to become, involved.

Bank of Ireland is regulated by the Financial Regulator.

Bank of Ireland has a wealth of experience in helping new businesses

The starting point

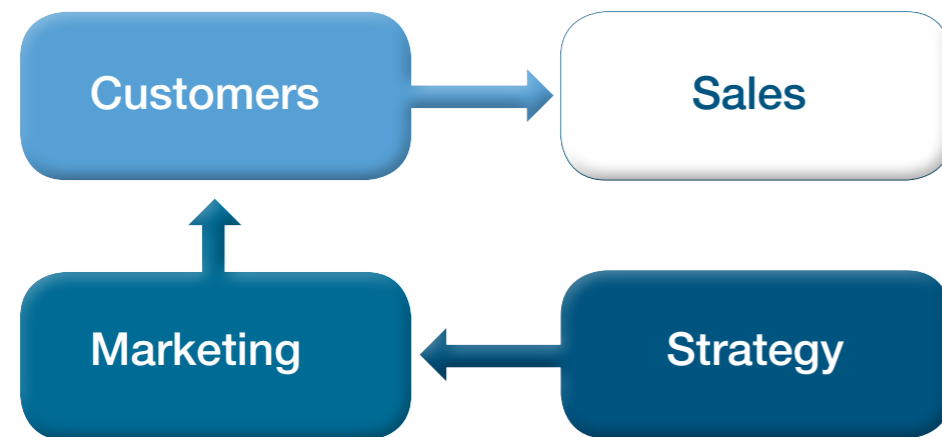
You're thinking of starting a business – perhaps you're still at the early stages, or maybe you have decided to go ahead and you're raring to get started.

Either way, the first question for you is “How will I get customers and sales?”

Having spent over a decade writing about, teaching, advising and helping would be entrepreneurs start and grow their businesses, I have found this to be the most important factor that determines the success or otherwise of a new business.

So, where do sales come from?

Sales come from customers. Customers come from marketing. Marketing comes from strategy. And thus, our starting point in understanding sales is, in fact, strategy.



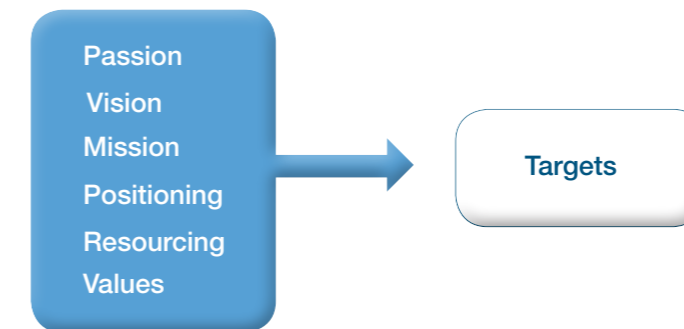
Most people who are thinking about starting a small business have little time for strategy. They think that it doesn't apply to small businesses, or that it's too complicated, or that it will wait unless they are successful. They're wrong!

Almost everything you do in a business has a strategic impact. Simply deciding that you do not want to work at weekends determines the kind of customers you will have - those who don't want to buy at weekends! Setting up a website to sell your products, on the other hand, also determines the kind of customers you will have - those who are computer-literate and have a credit-card to enable them to buy online. But these customer's may include people in other countries, where you might not have expected to find them – and so your business grows beyond your expectations because of a simple decision with strategic consequences.

Long-range planning does not deal with future decisions, but with the future of present decisions
Peter F Drucker

Strategy

So, if strategy applies to start-ups, how do you go about developing a strategy? I suggest that you use this simple model – the Strategic Box.



The shape of the Strategic Box created by your business depends on seven factors. The first six are:

- | | | |
|-------------------|-------------------|-----------------------|
| 1. Values | 3. Vision | 5. Positioning |
| 2. Passion | 4. Mission | 6. Resourcing. |

And then you need a seventh, Targets, to get momentum.

Let's look at each in turn.

1. Values

Values are deeply personal. Unlike big businesses, which have to impose a set of corporate values on their staff in order to achieve uniformity, a start-up begins with the values of its founder – their own personal values. What the founder stands for – and what they won't stand for, too!

Values are about things like integrity and honesty in business, customer service, how you treat staff, and so on. Hard to write down – often only seen clearly when you are faced with difficult choices – but very important.

2. Passion

Passion is what separates successful businesses from the also-rans and failures. Start-ups usually come into being because of the passion of the founder – to do something different, to go beyond existing boundaries, or to make customers' lives easier or better in some way.

Passion is what fuels your determination to succeed. It's what keeps you going through long nights and weekends – it's what keeps you going through countless refinements of your product or service, until it is just right – like James Dyson, who only got his bag-less cyclone-powered vacuum cleaner to work on his 5,127th attempt! That's passion at work.

3. Vision

Vision tells you where you are going, where you want to be.

What is your vision? What do you see in the future? Perhaps not days of wine and roses, lolling around on a beach, while money piles up without effort – but, seriously, what do you expect from your start-up? Why are you doing this?

Your Vision must link into your Values and your Passion – there's no point setting out to achieve something that's either not you or that you won't like.

Your Vision must also set a challenge – or challenges.

For example, if you have spent 12 years working in the hospitality business, and now have a senior front-line management position in a major hotel chain, your Vision may be to realise your dream of owning your own hotel. A quick look at the commercial property pages of any newspaper will make clear the financial challenge you have just set yourself – and then there are the management, customer service, catering and other challenges involved in running a hotel.

But suppose your Vision is not just to own and run any old hotel – you don't see yourself as another Basil Fawlty – but to run a top class country house hotel. You have raised the bar on the challenges involved. Again, if you step up your Vision, to owning and running one of the top 10 country house hotels in Ireland, you have clearly raised the bar on your challenge again.

So setting out your Vision for your start-up business is an important step in identifying the challenges that you will face in achieving it. And don't be afraid of the challenge. Don't make the mistake of setting your aim too low – always aim higher than you expect to achieve, you may surprise yourself.

4. Mission

Mission statements set out, in a few simple words, what you are about and why it's important. It's a call to arms for like-minded people. It empowers you in your relationships with staff, advisers, suppliers, bankers and investors. It gives them a reason to go the extra mile, to make the extra effort, to help you.

Whether that help comes from the staff you employ, the specialist advisers you hire, the banker who lends you money, the investors who support your dreams with their cash and/or experience, or your family and friends who are there for you throughout – every founder of a start-up needs help.

If Vision tells you where you want to be, Mission brings people along with you.

Do not ever mistake a clear view for a short distance
Bill Gates

5. Positioning

Positioning then tells you where other people – in particular, your customers and potential customers – think you are.

There is no point in an 18-year-old, who is sitting their Leaving Certificate examinations this summer, applying for a position as Chief Neuro-Surgeon with a major hospital. His/Her letter will just go in the bin! The positioning is wrong. The person who opens the post does not see a neuro-surgeon in the application letter – they don't even see a neuro-surgeon in the making. They see someone who's wasting their time!

You need to position your start-up in your potential customers' eyes as being suitable and sensible to do business with. That means creating the right image for your business from the beginning. If you're marketing sushi, you don't market it as cold, dead fish – not if you want to sell any, that is!

6. Resourcing

Resourcing is critical for start-ups, since they have very limited resources. But it's an important part of your strategy – knowing what resources you have, what you need and what to do about the difference.

Visualise your business – see it from the customer's point of view. What do they see as they approach the business, as they open the door, as they look at your office reception, your shop or restaurant, your warehouse?

Then see it from the other side. What must you put in place to provide the customer with the experience you have just run through?

Make a list – take out what's not really necessary – add in a margin for things you have forgotten – and then work out where you can get the things you need (you may already have some!). And that's resourcing.

7. Targets

Targets make clear your Vision and provide milestones on the way to achieving it. Although vision is important, it is hard to keep your eye on something that might be 10 or more years away. In the meantime, you have the task of deciding what to do today, tomorrow, next week and next month to achieve that far-off vision.

Targets act as milestones on the way to achieving your vision. They provide an early warning system to tell you when you are wandering off-course or falling behind, and provide encouragement as you tick them off ahead of schedule.

So strategy is not that difficult after all. Just six factors – plus Targets.

A step backwards is a step in the right direction if you are facing the wrong way to start with Jaime Smith



Start-up alternatives

This Start-Up Guide assumes that you are starting a business from scratch – most people do. But you can get into business by buying an existing business or a franchise.

Buying an existing business

The main advantage of buying a business that is already up and running is that you acquire products, markets, customers, staff, etc. and do not have to build it up yourself. The disadvantage is that you have to make a considerable investment to acquire the business and may have to add to this to develop the business further.

A key question to ask is, **why the business is being sold?**. Perhaps the business is in trouble or is about to face major competition. You need to get information about the business's finances, sales, customers, competition, recent investment and use of technology if appropriate. Have the information checked over by a person you trust or hire an expert, and get feedback from clients, suppliers and competitors.

Buying a franchise

When you buy a franchise, you are buying the right to use a specific trademark or business concept, which has already been tested in practice. The chief benefit is that you are able to capitalise on the business format, trade name, and support system provided by the franchisor.

The main advantages of a franchise are:

- A lower failure rate than other start-up businesses, since most of the problems have been discovered and solved
- You get a complete package, including trademarks, easy access to an established product, proven marketing method, equipment, stock, etc.
- You have the buying power of the entire network, which can help you against larger competitors

The disadvantage is that the essence of a franchise — buying and operating a proven concept — can make it seem like you're more of a manager than a boss. Although you own the business, its operation is governed by the terms of the franchise agreement. Therefore, you should have your lawyer and/or accountant review the franchise agreement before signing anything.

Bank of Ireland has prepared a separate Franchising Guide, which can be downloaded from the franchising section on our website at www.bankofireland.ie/business

Never acquire a business you don't know how to run.
Robert W Johnson

Start-up formalities

Legal structure

You must choose a legal structure for your new business.

If you trade on your own, you can set up either as a sole trader or a limited liability company. If you have business partners, you can choose to set up a partnership or a limited liability company.

In most cases, a limited liability company is the best choice but, since the choice depends on tax and other considerations, you are advised to seek professional advice before making a decision.

Business names

If you plan to run your business under a name other than your own (whichever legal status you choose for your business), you must register the trading name with the **Registry of Business Names** at the Companies Registration Office. This does not give you exclusivity on a name – only registration as a company does that.

Taxation

The Revenue Commissioners have simplified many of the procedures involved in registering for taxes and meeting taxation obligations. As a first step, download the Revenue's Starting in Business guide (reference **IT 48**) from the Revenue website.

Opening a business bank account

One of the first things to do when setting up your own business is to open a separate business account. This splits your business and personal money management from the beginning.

Whatever your stage of development, a business current account is essential to the smooth running of your day-to-day business. It helps your business make and receive payments, track your transactions and closely monitor business cashflow.

Bank of Ireland's **Business Start-Up Package** offers special benefits and savings for start-up businesses. Details can be downloaded from the Bank's website at www.bankofireland.ie/business

Insurance

Business Insurance Types

- **Fire**
To cover rebuilding costs, etc. following a fire
- **Burglary/theft**
To replace stolen or damaged assets
- **All risks**
Coverage against loss of assets, however caused
- **Public liability**
Coverage against claims by members of the public
- **Product liability**
Coverage against loss relating to defective or dangerous products
- **Employer's liability**
Coverage against claims from staff
- **Motor insurance**
Coverage against driving accidents in company-owned vehicles (note that the use of your personal car on company business may not be covered under your personal car insurance policy)

Most insurance companies offer these (or some combination) in a single "Office" or "Business" policy, which is more cost-effective than separate policies for each.

Other areas for which you might consider the protection of insurance include legal fees (in case you are sued, or need to sue someone), travel, goods in transit, and business interruption.

If the business is dependent on yourself, or one or two key staff, consider "key man insurance". If the person covered dies or is unable to work, the insurance company will pay a lump sum to help overcome the difficulty.

You may also want to look at life assurance (to provide "death-in-service" benefits), critical illness, permanent health insurance or medical expenses insurance for your staff.

Of course, as a Start-Up, you won't be able to afford all the insurance you might want but make sure you put the basics in place from the beginning. You can add more cover as you develop your business.

Marketing

Marketing leads from Strategy into Customers. It is a critical part of planning a new business.

Bank of Ireland has prepared a "Guide to Writing Your Marketing Plan", which can be downloaded from the Bank's website at www.bankofireland.ie/business

A marketing plan is the map that can help the vision you have for your business to come to life. It becomes the operating tool that will help you to identify your customers and achieve sales.

Market research

The first step is testing your market by doing some market research.

You need to find the answers to these questions:

1. What business sector are you planning to enter? What are its trends?
2. Who is your customer? Identify them by age, disposable income, location, etc.
3. Who is your competition? Identify both direct and indirect competitors.
4. How much can you charge?
5. What is the best way to promote your product or service to your potential customers? How do you do this? What will it cost?
6. How will you distribute your product or service? How will it actually get from you to your customers?

The 5 Ps

Working through the 5 Ps – Product, Price, Place, Promotion and People – will help you to plan your marketing.

When thinking about **Product**, remember that a pub not only sells pints but also sells food, as well as the intangible "craic". A clothes shop sells clothing and also enhanced appearance or personal image.

Pricing is important for several reasons:

- The price you charge will determine your margins and, in the end, your own salary
- Price is also closely associated with the quality and credibility of your product or service
- Once you have established your price, it is very difficult to increase it without losing customers.

And, remember, price also includes credit terms. When you get paid is almost as important as how much you get paid, since it impacts your cash flow.

Place often means the location where your business will be established. In other cases, it refers to the channels of distribution – how your product or service reaches the end-customer.

It is a mistake to think that **Promotion** begins and ends with advertising. Advertising is only one of the means of Promotion.

The others include:

- Personal selling
- Advertising
- Direct mail
- Public relations

In practice, you will probably choose a combination of methods to make up your promotional mix. The important thing is that every promotional activity you undertake pays its way in terms of generating sales. As a Start-Up, you cannot afford the luxury of promotional activity that just creates an image for your business – you need sales!

People and the customer service they provide is the fifth P.

As the founder and owner/manager, you will meet your customers face-to-face, speak to them on the phone, respond to their email queries, in a way that the chief executive of a large business never does. That gives you unique access to your customers, which you can use to gain insight into their needs and wants. You must respond to them in a targeted way.

When you start to employ staff, as well the ability to do the job, look for people whom your customers will like. How often do you go out of your way to shop at a store where the staff are friendly? The impersonality of a large supermarket or an online shop can have its advantages, but most of us don't have enough warm, human contact during the working day. So when we find it, we respond as customers by buying more and often. Hire nice people and they'll grow your business for you.

Sales forecasts are the final step in marketing. You know from the 5 Ps what price they will pay. Now work out how many they will buy at that price. It is this combination of price and quantity that gives you your sales forecasts.

Link your promotional activity – the 5 Ps – to your sales forecasts, so that you can see clearly where your expected sales will come from. Identify which promotional activities are best in generating sales – perhaps you should be focusing more of your resources on these?

So, strategy leads to marketing, which leads to customers, which leads to sales. The cycle is complete.

But there's more to be done, before you can take the leap to starting your own business.

Finance is the next hurdle faced by most would-be business owners.

Good service isn't a mystery– employ nice people
Ken McCulloch

Finance

There are three types of finance:

- **Equity**
money contributed by the owners of the business that is fully at risk, and which shares in the rewards (if any) of success, as well as in the risks of loss
- **Grants**
money that neither shares in the risks and rewards of ownership, nor requires repayment, but nonetheless is subject to conditions
- **Loans**
money contributed that must be repaid, usually with interest

Bank funding solutions can also include:

- Overdraft is the most common source of short term finance available and is used in conjunction with a current account
- Commercial Cards offer tailored card-based expense management solutions, which simplify administration and help businesses to achieve both direct and indirect cost savings
- Invoice Finance raises working capital by converting trade debts into cash on an ongoing basis
- Asset Finance can help you acquire the assets your business needs, without tying up working capital. Leasing and Hire Purchase are the principal forms of asset finance.

The only way to calculate how much finance – and what type of finance – you need is to prepare financial projections. These consist of:

- Projected Profit and Loss Account
- Projected Cash Flow
- Projected Balance Sheet

The assumptions used must be included to ensure readers of your plan (i.e. lenders, potential investors, grant providers etc.) assess the realism of your budgets.

Additionally, sensitivity analysis (the various “what ifs”: turnover only 75% of that budgeted; gross margin down 25 points of that budgeted etc., cash collections received after 60 days instead of 45 etc) show your appreciation of the alternative scenarios that could occur.

If you are not familiar with accounting and financial matters, it's a good idea to involve an accountant at this stage to help you in preparing your financial projections. Bank of Ireland's Business Start-Up Package includes not only a free hour's consultation with an accountant, but also discounts on accounting software. The downloads section of www.startingabusinessinireland.com provides templates that will guide you through the process of collecting and calculating the necessary figures. From these, you will be able to develop financial projections for your Start-Up, which will show how much finance you require.

You will also be able to use these projections as part of your business plan.

Learn to make numbers talk!

They will speak to you about hard truths and also reveal the future!

John D Rockefeller

The business plan

You've completed the process of business planning. It may have taken a few days – or perhaps several months. Now it's time to record all the information you have gathered into a business plan.

You need a business plan for the following reasons:

- First, to help you record the research and decisions you made during the planning process
- Second, to guide you through implementation – starting your business and beyond
- Third, to communicate with your bank, potential investors, support agencies and others who may be able to help you to grow your business

A business plan is a document that summarises the following points about your business:

- Where your business is going in the future
- How it intends to get there
- How much money it needs to fulfil its plans
- What makes it likely to succeed
- What threats or disadvantages must be overcome on the way

The structure of a typical business plan is set out in the panel on the next page. The Bank of Ireland "Business Plan Summary" can be downloaded from the Bank's website at www.bankofireland.ie/business. It sets out a simple template that captures the essential information that you need to provide before meeting your bank manager to discuss a loan.

The key questions you should be trying to answer for the reader of your business plan are:

- Who are you?
- What is your product or service?
- Who are your customers?
- Why will they buy your product or service?
- What price will they pay?
- How many will they buy at this price?
- How many can you make – and at what cost?
- What start-up investment do you need?
- Have you got a viable business?

It is not necessary to answer each question directly in a Q&A format but do make sure that the answers to all the questions can be easily found in your plan.

Method goes far to prevent trouble in business; for it makes the task easy, hinders confusion, saves abundance of time and instructs those who have business depending, what to do and what to hope
William Penn

Business plan summary

Contents:

I Personal Details

II Bank details

III Business Details

IV Product/Service details

V Market details

V Market Details

VI Financial

VII Funding Details

- Background to the company

- Main business to the company
- Business objectives
- Legal form of business
- Key people details
- Accountant detail
- Number of employees (Year 1 and Year 3)

- Product or service type
- Key benefits of product/service

- Product or service type
- Key benefits of product/service

- Target market
- Delivery channels
- Competitions
- Promotion/Marketing
- Results of feasibility study undertaken

- Sales (Year 1 and Year 2)
- Credit terms
- Premises (owned or rented)

- Total funding requirements
- Owner's own input
- Bank funding
- Other sources

Next steps

You're ready now!

Your next steps are to talk to:

- Bank of Ireland about a business bank account – and the new Business Start-Up package, with special benefits and savings for start-ups
- Your local City/County Enterprise Board about the supports that they may be able to offer you – both financial and non-financial
- First Step, which provides small loans for businesses that may not qualify for a bank loan
- Your accountant about setting up your accounting systems correctly from day one and for useful tax and business advice.

And then on to achieve your Vision. But wherever your journey takes you, good luck!

Appendix

- Key sources of assistance for start-ups:
- Area Partnership Companies – www.plant.ie
- Bank of Ireland – www.bankofireland.ie/business for your Business Plan, Marketing Plan, Franchise Guide
- Bord Bia – www.bordbia.ie
- Bord Iascaigh Mhara – www.bim.ie
- Business Incubation Centres
- Central Statistics Office – www.cso.ie
- City and County Enterprise Boards – www.enterpriseboards.ie
- Companies Registration Office – www.cro.ie
- Crafts Council of Ireland – www.ccoi.ie
- Enterprise Ireland – www.enterprise-ireland.com
- Failte Ireland – www.failteireland.ie
- FAS – www.fas.ie
- First Step – www.first-step.ie
- Health & Safety Authority – www.hsa.ie
- Irish Franchise Association – www.irishfranchiseassociation.com
- Leader + companies – www.irishleadernetwork.org
- National Standards Authority of Ireland – www.nsai.ie
- Patents Office – www.patentsoffice.ie
- Revenue Commissioners – www.revenue.ie
- Shannon Development – www.shannondev.ie
- Údarás na Gaeltachta – www.udaras.ie

For more information on these sources – and many more – see www.startingabusinessinireland.com
Bank of Ireland is regulated by the Financial Regulator.

