



AIB Business

A Practical Guide to Starting Your Own Business.

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Getting started.

Helping you take the first steps.

Starting your own business offers the entrepreneur an avenue for personal, social and financial fulfilment. However, the decision to go it alone remains one of the biggest decisions a person will make in their life.

As with most major decisions, there are a number of organisations and supports to help you through the process.

This practical guide is one of these supports, touching on the issues you will have to consider before committing yourself financially and personally to your new venture.

We hope you find the contents of this publication beneficial, along with the full set of tools, templates and guides available on www.aib.ie/startup



We know you might have some questions so just ask, call us on **1890 47 88 33** or click on www.aib.ie/startup



You as a business owner.

Why do you want to start your own business?

Running your own business can give you great satisfaction and reward. Conversely, it could also cause a lot of headaches and put pressure on all facets of your life. Think long and hard about why you want to start your own business.

What are your goals?

- Personal wealth
- Status
- Provide yourself with employment
- A future for you and your family
- The freedom to be your own boss and make your own decisions
- You simply have a good idea and know you could make it work

Your goals are very important. They are your drivers and motivation for setting up the business in the first place.

Write down your personal and business goals under the headings short-term, medium-term and long-term. Refer to them when you need to make important decisions. This will act as a guide when you have tough decisions to make. This will ensure that the decisions you make actually help you achieve what you set out to do. Other people, such as investors – people who take an equity stake in your business or financial institutions who lend your business money – will also want to know what motivates you.



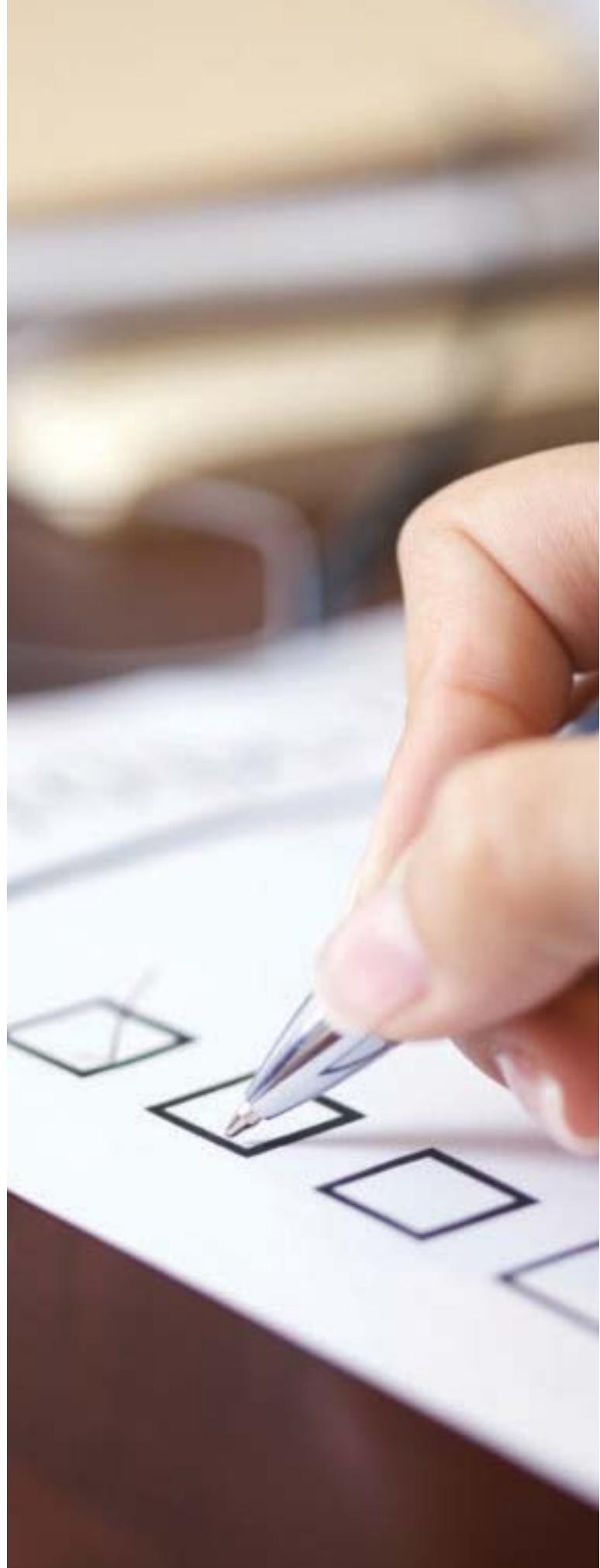
There is no exact science to establishing whether anyone is ideally suited to running their own business. But if you can tick more than half of the boxes below you are probably suited to starting a business:

- I am out of work or redundant
- I am self-motivated
- I can work alone
- I am enthusiastic
- I am active and energetic
- I am patient
- I like making decisions
- I set clear goals and am very focused on achieving them
- I can manage my stress
- I have good health
- I get on well with people
- I prefer to lead, rather than to follow
- I can motivate people
- I can take advice and / or criticism
- I would be happier with more control over my career
- I am prepared to risk a steady weekly/monthly income, as well as my savings, to set up in business
- I learn from my mistakes
- I have experience and expertise in the industry
- I plan to start my business
- I am prepared to work very hard – possibly 7 days a week, if I have to
- I have the support of my friends and family to start this business

Experience or expertise in the business sector in which you plan to operate will be invaluable and will increase your chances of success. Perhaps you also have qualifications relevant to the sector?

Maybe the family business, where you worked in your spare time, is a similar type of business? Any of these give you an insight into the marketplace and highlight gaps that maybe you can fill, or a better or more innovative way of doing something. Work experience can give you the benefit of the realities of the market.

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The feasibility study.

What should you research?

The first step you will need to take is to research your business idea thoroughly.

Products/Services

It is extremely important to research your product/service offering thoroughly. Work through the following list and address those relating to your business:

- Make a list of all the products/services your business plans to sell
- Describe each product/service. Give details of branding, design, packaging and life span
- What are the features and benefits of the product/service?
- Identify what is unique and/or special about your products/services. What differentiates them from your competitors' products/services. What benefits are offered over their products/services?
- What testing is involved to ensure each product/service is ready for sale, complies with any regulations, etc?
- Does each product/service comply with the relevant legal requirements, such as environmental issues, food production standards, etc?
- What production process is involved in making each product?
- Do you propose to sell and distribute your products/services? How?
- Can your products/production processes be patented, copyrighted or trademarked?
- What is your customer base by number and location?
- How much will each product/service contribute to turnover (give percentage)?
- Project your sales and market share over the first three years of the operation of your business.

Identifying customers

A new business will succeed, only if the products/services it supplies satisfy a need. The people with that need are your potential customers – your 'market'.

Market research helps you to assess if there is a market for your products / services, to gauge the characteristics of your market and to define your customer base. Use the information you have already compiled on your products and services, and ask yourself who might need your products /services.

Depending on your business, your market could be local, national or international. You could be selling books in a small locality, or you might be selling books nationally or internationally, through the internet.

- What needs will your products/services satisfy?
- List the people / businesses who might have these needs. Define them as precisely as possible, for example:
 - Businesses that use colour printers, but are not big enough to afford on-site maintenance contracts
 - Independent retail outlets that want the efficiencies and security of computerised stock-keeping.
- Establish a geographic boundary for your market. If you intend selling over the internet then the world could be your market. Using the internet removes barriers of location, depending on the business you are in. Incorporate the geographic boundary into your market definition. For example:
 - Businesses in the greater Cork City area that use colour printers but are not big enough to afford on-site maintenance contracts
 - Independent retail outlets in counties Dublin, Wicklow, Kildare and Meath that want the efficiencies and security that computerised stock-keeping give.



- Most Irish businesses are very happy to invest a small amount of time to assist another business getting started. Have a very focused approach to this exercise:
 - Compile a list of likely business customers
 - Prepare a short, simple questionnaire to ascertain that the market you defined does have a need for your product / service
 - Telephone each business on your list. Briefly explain what you are trying to do and ask to speak to the relevant person who will be able to help
 - You may choose to conduct your questionnaire over the phone, or forward them an online survey. Online survey tools such as SurveyMonkey (www.surveymonkey.com) allow you create and publish online surveys in minutes, and view the results in real time
 - When you have finished thank the person for their help
 - Pull the results together and see if they confirm that the market you defined has a need for your product/service.

Use the answers to your questionnaire to refine your business idea and market definition, if necessary. If the redefinition is significant, do a new questionnaire and retest your newly defined market.

STRATEGIC ANALYSIS

INTERNAL

STRENGTHS

build; enhance

WEAKNESSES

resolve; reduce

EXTERNAL

OPPORTUNITIES

exploit; expand

THREATS

avoid; thwart

Researching the market and your competitors

When starting your own business you need to have complete oversight and understanding of the competitive landscape in which you will operate your business.

The best advice is 'know your enemy'. Take time to identify your competitors and establish who they are, what they offer, their pricing, sales model and their terms of business. How they can be a threat to your business and what are their weaknesses? The more information you have about your competitors, the better.

This information will make it possible for you to prepare a more competitive presentation of your own business idea.

- Websites are an excellent source of information for both the company and their products, pricing, sales strategy, messaging, etc. Check your competitor websites. Investigate what other competitors are out there, both within and outside of your locality, could pose a competitive threat. Broaden the scope of your search criteria - you never know what you will find.
- See what other information is available online, for example, run searches on online blogs and boards, press articles which may profile the company, etc.
- Review social media such as Facebook, Twitter, LinkedIn or YouTube to see what competitors and other businesses are up to in this space
- Review the online Golden Pages classified telephone directory and relevant online trade directories
- Mystery shop your competition. Depending on their line of business, you may be able to visit their business premises, phone them or perhaps buy from them. This will enable you to experience the level of service, listen to their pitch, get a price list, establish footfall, etc.
- Attend trade fairs and exhibitions
- Review brochures, flyers, catalogues and marketing literature

- Do a search for existing patented products that are similar to yours
- You may choose to conduct your own research either online or over the phone with potential customers, other businesses or both. Online survey tools such as SurveyMonkey (www.surveymonkey.com) allow you create and publish online surveys in minutes, and view the results in real time
- Talk to your competitors' customers. What do they like or dislike about each competitor? Why and how do customers decide between one competitor or another?
- Government agencies often have useful specialised information. For example, Enterprise Ireland is responsible for the development and growth of Irish enterprises in world markets and their website www.enterpriseireland.ie provides information and support to help businesses start, grow, innovate and win export sales on global markets. The ESRI - Economic and Social Research Institute's website www.esri.ie is an excellent source of economic information, trends and statistics
- Your local affiliated Chamber and City and County Enterprise Boards also provide a range of supports.
- College and university students produce hundreds of theses on business issues and topics every year. Ring the librarian and ask if you can read those in stock. Also, some colleges produce research papers which you may be able to get access to, especially if you are a past pupil
- Download and view relevant apps to keep you informed on topics of relevance to your business, e.g. local and national newspapers. Tune into your local radio station.

Review the information you have gathered and identify any gaps. Develop a list of questions and a strategy to get this information. Make follow-up telephone calls, send email enquiries, search online, etc. and continue until you are satisfied that you have a robust analysis of your competitors and the market.

Sourcing suppliers

Identify suitable suppliers and closely examine their attributes, strengths and weaknesses. When considering who will be suppliers to your business, ensure you do not rely on just one to supply raw materials or goods/services to you. The disadvantage of having one main supplier is that if they have difficulties in providing you with the quantity of stock you need because, for example, there is a delay or a breakdown in the supply chain, it could seriously impact on your business. For this reason, you need to ensure you have a few key suppliers to rely on.

- Outline the main production process of your products or services. What raw materials will you need? How will these be costed and supplied?
- If you have recently worked in the industry, compile information on the suppliers you know and have already used
- Use the Internet to see when and where you can source supplies most cost effectively
- If you plan to import raw materials, click on www.aibtradefinance.com, which will provide you with practical information and useful pointers in identifying how to approach importing your supplies and exporting your products. The commercial sections of embassies for the countries with which you plan to trade may also be able to advise you
- Search trade publications for advertisements placed by suppliers to the industry
- From the information you gather, make a list of potential suppliers. Check their websites, then telephone or email them. Request an information brochure and price list. Also try to gauge their willingness to do business with a new entrant to the industry.



Pricing

One of the key decisions you will make is choosing the most appropriate pricing strategy to suit your business model, and it can ultimately determine the fate of your business. Your pricing strategy will be determined by the benefits that your products or service offers customers, and how much customers are willing to pay. You need to thoroughly investigate and understand the demand and pricing structures at play in your market. Once you have a clear understanding, review your costs and profit goals as set in your business plan. Below are some considerations:

- Unless your product or service provides special or unique benefits, you will not be able to charge more than the going price. If your product or service has unique benefits, how much more would the customer pay to get that benefit?
- What prices are your competitors charging for similar products or services? How do their prices compare to yours? You need to take a close look at their total offering and target market - do they offer any value added service - different pricing tiers, etc?
- The ceiling price is the highest price that your target market will tolerate. However, the highest price in the market may not be the ceiling price, so you need to investigate this thoroughly
- You may consider market skimming - charge a high price for your product or service, to skim the top of the market. This will also help you establish how much your customers are willing to pay and help you recover investment quickly
- Penetration pricing - charge a low price, to win market share early. This strategy is used to gain high visibility or high market share. However, be careful to avoid a price war!
- Price discrimination - charge different prices in different market segments, for example, a grocery multiple may charge different prices for the same item in different outlets.

Marketing the business

Your marketing strategy will be crucial in the growth and success of your business. At the most basic level, marketing is about determining the value of your product or service and communicating that information to your target market.

It is essential that you develop a marketing strategy as part of your overall business plan. Your marketing objectives must support your general business objectives. Your marketing strategy is your road map that gives you direction and focuses on every aspect of marketing your business and will help you to:

- Establish your target market and customers
- Assess the needs of your customers
- Communicate the attributes of the product or service
- Determine pricing strategy
- Establish distribution channels to get the products/ services to the customer
- Plan how you both market and promote your products and services.

Getting your message to potential customers can be done in a way that suits any budget. Here are some tips to help you get the most impact for your marketing expenditures and avoid wasting money:

- Conduct your marketing activities in a planned and targeted way. Random marketing efforts will not make any lasting impact, can be a waste of money and damage your brand
- Test your campaign before committing to it
- Develop a strategy and stick to it. Be aware though that quite often you will need to give it time and be patient before you can see the impact
- Keep track of how much you are spending and measure the results
- Avoid using marketing messages and information that can quickly become outdated, for example, avoid referring to the period of time you have been in business or to specific clients.

There are many ways of getting your message out. Choose the vehicle that best fits your business. You need to establish your specific goal and map out your objectives, which you can easily measure. Tailor your plan by increasing visibility in places that are relevant to your audience, for example - What is the best medium to reach them? What do they read? Which websites do they use? Any trade magazines or directories? What activities interest them?

The internet is an essential delivery channel and to ensure that you maximise the benefits and opportunities, ensure that you have an online marketing plan as part of your marketing strategy.

The final objective of your marketing strategy should be to ensure that your new customers generate repeat business. Do not make promises that your business cannot deliver, and ensure that you have adequate stocks and resources in place to meet your projected demand.

Financial Support

A feasibility study sometimes qualifies for financial supports to cover some of the costs involved, for example, travel, market research, etc.

To avail of the financial support that may be available, you must have written approval from the supporting organisation, for example, City/County Enterprise Board, etc, before you commence your feasibility study.



Forming a business.

There are a few different options to choose from.

When starting your own business. You could:

1. Set up, run and manage a brand new business
2. Take over an existing business. In this option, you have the benefit of taking over a going concern, but you get to decide how to run the business going forward.
3. Take up a franchise. The master franchisor will have developed a blue print for the management and running of the business. When you enter a franchise agreement you benefit from the strength of the brand and the franchisor's experience to date with the business.

What structure would suit my business best?

The type of business structure you opt for will have several implications – the law governing the operation of your business, the liability of you and your business partnerships, how you are taxed and the business records you have to keep. Sole trader, partnership and companies are the most common business structures.

What is a sole trader?

A sole trader is a person operating a business on his / her own. If you are setting up a small business, which you want to keep small and to own and totally control yourself, this type of business format might suit you.

- A sole trader format is simple to set up - there is no formal registration of your business needed before you can start trading
- It is possible to alter the business format to, say, a limited company at a later stage
- You do not need to file the financial accounts for your business
- As a sole trader you absorb all the profits... and all the debt and risks of the business
- When you retire or die the business comes to an end.

What is a partnership?

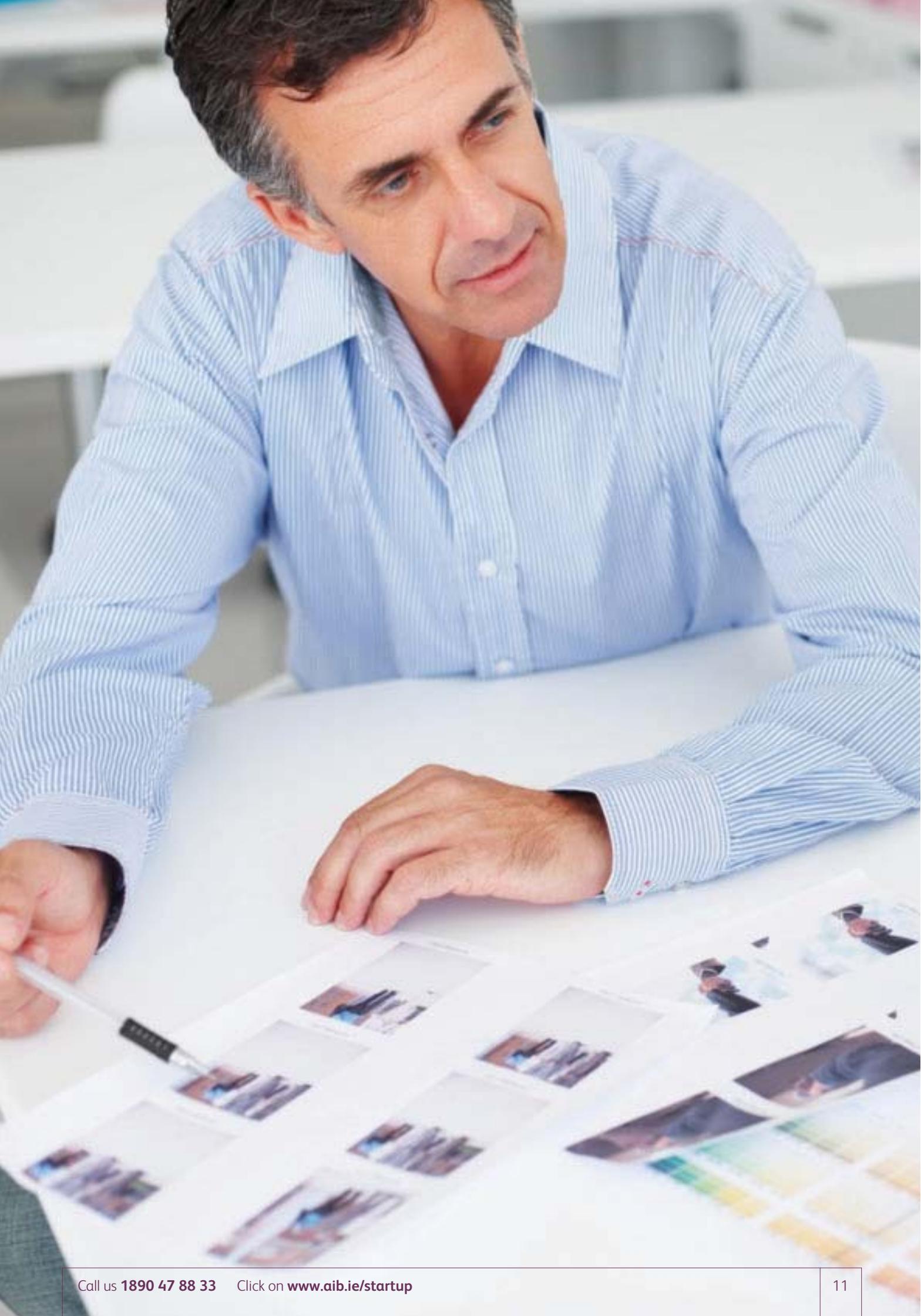
A partnership is where 2 to 20 people form a business together. Often accounting or solicitors practices are operated in this format. All partners can be involved in

running the business, but sometimes a partner is 'sleeping' – he/she has invested money in the business, but is not involved in running it.

- If you plan to trade using anything other than the partners' names, you will need to register your trading name with the Registrar of Business Names
- All the partners share the profits... and all the debt and risks of the business
- A limited partnership can be set up where one or more partners limit their liability to the amount of money they invest in the business
- Partnerships (including limited partnerships) are obliged to prepare accounts and submit them to the Companies Registration Office
- Partner's experience and expertise may complement each other. On the other hand, some partnerships could turn out to be incompatible. For this reason, a Partnership Agreement should be drawn up to decide how difficulties should be managed.

What is a company?

- A company is a separate legal entity owned by shareholders. It is totally separate from the people who own and run the business. It is an individual in its own right and can enter contracts
- Ownership is transferable by share ownership
- Companies can be limited or unlimited. In a limited company, liability is limited to the company, so shareholders can only lose whatever share capital they subscribe to the business
- There are two types of limited company – private or public
- A private limited company can have up to 50 members who can trade their shares privately
- A public limited company has more than 7 members and shares are traded on the stock markets. AIB p.l.c. is an example of a public limited company
- In some instances, directors can be requested to give personal guarantees for loans to limited companies.



What are the first things I need to do to set up as a sole trader?

Business name – You will need to decide on a business name and to have it registered with the Registrar of Business Names, if you are operating under any name but your own name. The Companies Registration Office (www.cro.ie) explains the procedures you need to follow to register your business name.

Website – If you plan to set up a website for your business, now would be a good time to register your domain name (even if you do not intend to use it immediately). Many commercial organisations register a .com address, whereas non-profit organisations register a name with the suffix .org. Most Irish businesses register a .ie address. This tells visitors to your site that you are registered in Ireland. The name of your site should be as close as possible to the name of your business. Websites such as www.gettingbusinessonline.ie may be useful.

Professional advice – It is recommended that you get professional advice from an accountant and a legal advisor. This should ensure that all financial, tax and legal obligations are fully met.

What are the first things I need to do to set up a partnership?

Partnership agreement – Set up a partnership agreement where all partners agree the shareholding, the operation of the partnership, the roles and responsibilities of each of the partners, whether any of the partners have limited liability, what to do if difficulties arise and a break up clause.

Business name – Decide on a business name. You will need to register it with the Registrar of Business Names if you are operating the partnership under any names but the partners' own names. The Companies Registration Office website www.cro.ie, explains the procedures you need to follow to register your business name.

Website – If you plan to set up a website for your business, now would be a good time to register your domain name (even if you do not intend to use it immediately). Many commercial organisations register a .com address, whereas non-profit organisations register a name with the suffix .org. Most Irish businesses register a .ie address. This tells visitors to your site that you are registered in Ireland. The name of your site should be as close as possible to the name of your business. Websites such as www.gettingbusinessonline.ie may be useful.

Professional advice – It is recommended that you get professional advice from an accountant and a legal advisor. This should ensure that all financial, tax and legal obligations are fully met.

What are the first things I need to do to set up a company?

Shareholders – Shareholders own the company. They can also be directors. You will need to decide who the shareholders will be.

Directors – Decide who the directors of the company will be. Directors are appointed to run and manage the day-to-day affairs of the company. Every company must have at least two directors and a company secretary. One of the directors can also act as company secretary. A director does not have to be a shareholder.

Business name – Decide on a name for your company. The Companies Registration Office website www.cro.ie, explains the rules, regulations and restrictions for a company name.

Website – If you plan to set up a website for your business, now would be a good time to register your domain name (even if you do not intend to use it immediately). Many commercial organisations register a .com address, whereas non-profit organisations register a name with the suffix .org. Most Irish businesses register a .ie address. This tells visitors to your site that you are registered in Ireland. The name of your site should be as close as possible to the name of your business. Websites such as www.gettingbusinessonline.ie may be useful.

Professional advice – We recommend that you get professional advice from an accountant and a legal advisor. This should ensure that all financial, tax and legal obligations for all aspects of your business are fully met.

Complying with the law

You will need to research whether there are legal requirements you have to comply with, before you begin trading. Legal requirements relate to employees, the workplace, the environment and many other areas, for example:

- If you intend to manufacture food products you will have to comply with stringent food safety and hygiene practices. Check with the Food Safety Authority (www.fsai.ie) for information
- European and international standards must be met in producing certain products. Talk to the relevant trade association for specific information regarding the law. Also, visit the website of the National Standards Authority of Ireland (NSAI) www.nsai.ie. NSAI aims to assist all sectors of industry to understand and meet the technical, quality and safety requirements of European and international standards in the domestic and overseas markets
- When employing people, you will need to be familiar with the law relating to:
 - Contract of Employment
 - Terms of Employment
 - Wages
 - Working Time
 - Minimum Notice
 - Equality
 - Safety, Health and Welfare at Work
 - Redundancy Payments
 - Dismissal
 - Industrial Relations
 - Parental Leave

Information relating to employment legislation is available from the websites of the Department of Jobs, Enterprise and Innovation (www.djei.ie) and the Labour Relations Commission (www.lrc.ie). Also, each government department has information booklets, available in hard copy or on their website, on the areas under their control.



Business planning.

Preparing a Business Plan is one of the most important tasks when starting a new business.

A Business Plan is a written document that describes a business, its objectives, strategies, the market it operates in and realistic financial forecasts. The Business Plan has many important uses from proving the viability of the business, to securing funding and measuring the success of your business.

The following parties may request a copy of your Business Plan:

- Banks
- External investors – from business angels to venture capitalists
- Grant providers
- Potential business partners
- Anyone interested in buying your business.

Potential investors may invest in your idea, work with you or lend you money on the strength of your Business Plan.

A good Business Plan should:

- Detail the business name, address, owners and legal status
- Clearly outline your business idea, aims and goals
- Provide detail on the marketing plan and strategy, including details of your target market, unique selling proposition and competitor information
- Demonstrate/illustrate the viability of your business through sales targets and objectives
- Outline operational requirements including premises, equipment, staff, suppliers, licensing, etc.

It is also important to bear in mind that your Business Plan is a living document and requires updating as your business grows. There are many benefits to creating and managing a realistic plan. A business plan can:

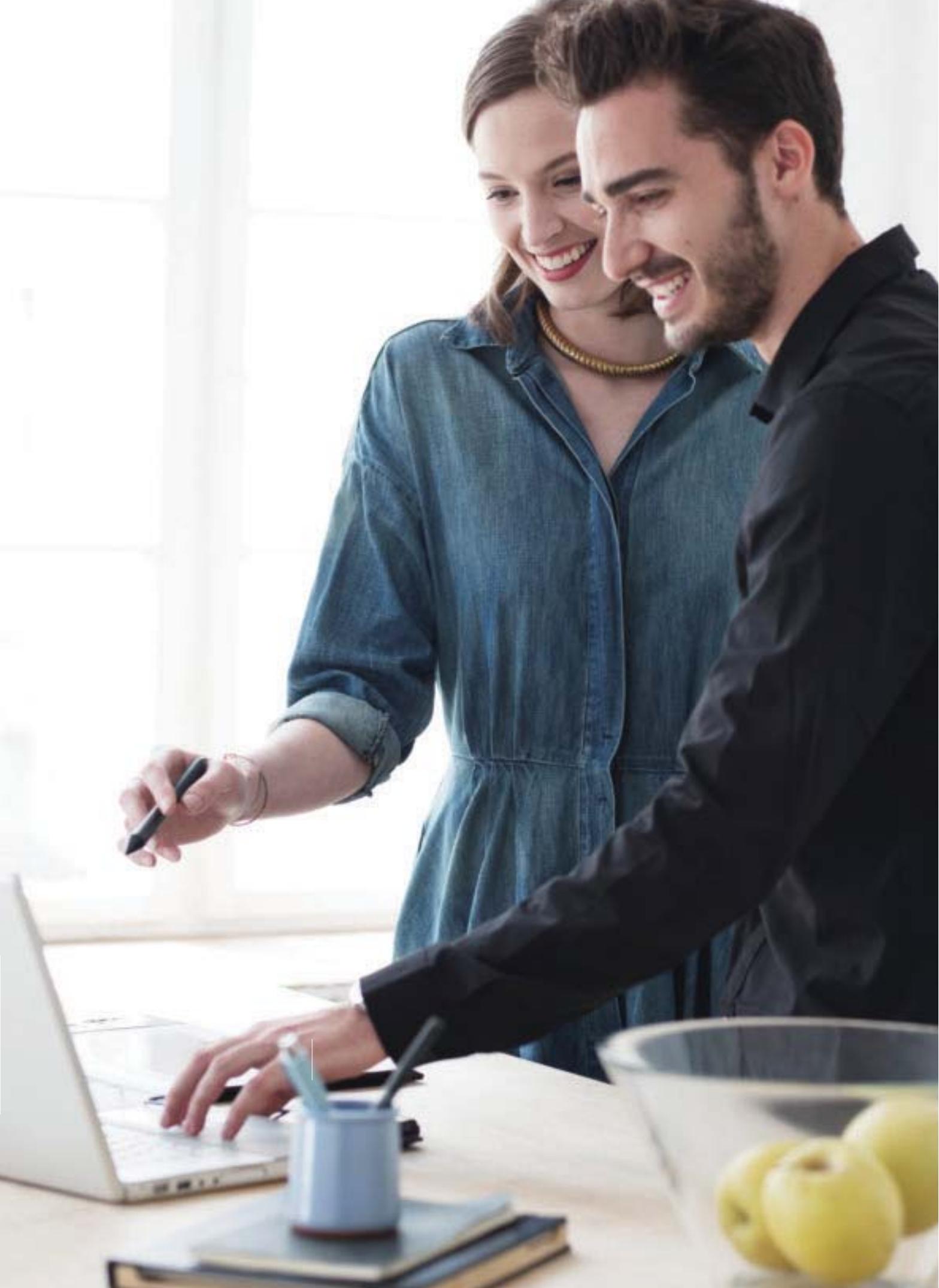
- Help you identify potential pitfalls before they happen
- Structure the financial aspects of your business effectively
- Measure the success of your business against your objectives
- Help you to focus on what you need to do to develop your business.

We recommend that you seek professional advice from your accountant and/or solicitor when writing your Business Plan. You can also seek the support of various business organisations and state agencies – Chamber of Commerce, ISME, SFA, Enterprise Ireland and your local Enterprise Board – that can offer useful advice and information.

A good starting point is the Business Plan template on our website www.aib.ie/businessplan



A business planning tool is not just an instrument for applying for credit, but is a key enabler for you, as a business owner, at any time to stand back and think about the future of your business.



Solving key issues.

Finding the right people

One of the fundamental contributors to the success of your business venture is the people behind the business. When planning your business, the first of the important questions you will need to consider are:

- How will I manage my business?
- What responsibilities will management have in the business?
- Who will make up the management team? What skills / expertise will they have?
- What skills will I need to bring into the organisation?
- Should I employ staff or sub-contract work?

You may decide to recruit some employees. Hiring the right people for your business is an important process and requires attention to ensure the best decision is made and due process is followed. Regardless of role, recruitment can be expensive in terms of time and cost.

Job description

The first task in the recruitment process is to draw up the Job Description. The objective of the Job Description is to capture all necessary information on all aspects of the job and should contain:

- Job title
- Reporting line
- Overall purpose of job
- Main duties and responsibilities
- Level of authority
- Any qualifications or skills required
- Experience required.

Job specification

The next task is to clearly define the Job Specification. The Job Specification is based on the Job Description and should clearly identify the qualifications, experience and personal attributes that are essential for the candidate to competently carry out the job and could contain:

- Educational requirements
- Necessary work experience
- Any necessary special skills or aptitudes
- Personal characteristics, for example, ability to lead, ability to work on own initiative, good organiser, etc.
- Any special circumstances pertaining to the job, for example must have own car, willingness to travel, etc.

Start your search

Once you have defined the Job Description and Job Specification the next step is to start your search. Firstly you must decide on the most suitable recruitment option for your business to enable you to choose the right candidate, in a cost and time effective manner.

You may decide to:

- Contract a recruitment agency
- Take a personal recommendation
- Advertise - online, newspapers or professional journals
- Contact career guidance counsellors in schools, colleges or universities
- Recruit from an existing member of staff.

Shortlist

You can use the job description and criteria to adjudicate on the applications you receive. Compile a shortlist of candidates to interview and inform them in writing that they have been selected for interview. Advise them of the time, date, location of interview, expected length of interview and the interview process. Also, write to everyone you will not be interviewing, acknowledging receipt of their application, advising them that in this instance that they did not make the shortlist and thank them for applying.

Prepare

Prepare for the interview by:

- Developing questions to ensure you establish all the information you require to make a decision
- Reviewing each candidate's application and CV, identify areas that you want to discuss during the interview
- Deciding what salary and conditions will be offered
- Deciding the selection criteria
- If possible, don't interview alone, try and have at least one other interviewer.

Assess

At the end of the interview, assess the candidates under the following headings:

- Do they have the essential characteristics required?
- Do they meet the criteria necessary to fulfill the role?
- Will the candidate fit into the business?
- Can the candidate do the job?
- What are the candidates expectations?

References

References should always be obtained from previous employers who have first hand knowledge of the candidate. Reference checks should include the following questions:

- Work relationships between previous employer and the candidate
- Employment dates
- Nature of duties
- Absenteeism record
- Reason for leaving
- Standard of performance
- Willingness to recommend
- Any other information relevant to advertised position.

Written offer of employment

When all reference checks have been made, make a written offer of employment. Also, make sure to respond to unsuccessful applicants. Employees are legally entitled to a written statement of their terms and conditions of employment within two months of starting employment. It is important that a probationary period is also outlined in the contract of employment and that a start date is agreed.

Staff Retention

It is hard work getting good people - and you will need to work hard to keep them. Research tells us that people don't leave jobs - they leave managers because they do not feel valued. A simple measure to ensure your staff feel valued can be, simply, to keep them informed.

One way is to plan and implement an internal communications plan for both staff and management:

- Make sure everyone knows:
 - What is going on in your business and in the sector
 - The goals of the business
 - Their role in achieving these goals
- Get them involved - ask them what they want to do and how they want to do it
- Recognise achievement and effort - don't forget to say "thanks" and "well done"
- Regularly ask for feedback
- Hold regular meetings to discuss issues that affect staff
- Tell your employees about changes in structure, policy, etc.
- If something affects staff ensure they hear about it first before the rest of the world
- If a member of staff leaves, have an exit interview to find out why.





Locating the business

From where will you operate? In the initial stages you might decide to operate from home, from rented space or from your own business premises.

Home office

- Do you have a separate room that you can use as a home office?
- Will you need special equipment?
Do you have space for it?
- Do you intend to relocate when your business grows?

Rented premises

- Do you need serviced office space?
- How long is the term of the lease?
- How often will you have to pay rent – weekly, monthly, quarterly?
- How much rent will you need to pay?
Will you be expected to pay a deposit? How much?
When?
- How soon can you move into the premises? How much notice must you give the landlord if you want to move?
Will your deposit be refunded if you decide to move out?
- What is the size of your rented space, in square feet / metres?

Premises bought for the business

- What is the size of premises?
- Are any competitors located close by?
- Is the title to the property long leasehold or freehold?
- What is the cost of the property?
- Will it be part-funded by a loan / lease?
- How much is the loan / lease?
- What is the term (weekly, monthly or quarterly repayments) and amount of repayments?
- When will the loan / lease be cleared?
- What security will be provided for the loan?

What will I need for my premises?

What is needed to get started?

- Internet access? A telephone? Computer (desktop/ laptop), printer, fax, storage cabinets?
- Will you need fittings / furnishings or any special equipment for the business?
- Will you need one or more vehicles?
- How will you pay for equipment? From your own money? Loan? Lease? Is there a grant available to cover part of the cost of certain equipment? What will be the impact of the cost on cashflow?
- What will you need over the next one to three years, as your business starts to get established and to grow?

Financing the business.

Most new businesses need some financial help to get started, grow and develop.

- How much do you need?
- What are you prepared to invest in the venture?
- What other support is available?

Finance for business comes in three different forms – equity, grants and bank finance. Before approaching the bank, first investigate the other forms of finance – grants and financial supports – available to you. Once you have organised either a grant and / or equity, you are more likely to be successful with any application to your bank.

For start-up businesses, there is a rough rule of thumb for finance. It suggests the optimum finance mix for getting your business off the ground is one third equity, one third grant funding and one third bank finance. However, it is becoming more common that instead of grant aid, support agencies seek an equity stake in new businesses.

- Equity is money invested in your business by you or by others (friends, family, business contacts, venture capitalists, etc.) in return for shares. If outside investment is being considered, you should have a written agreement drawn up, with the help of professional advice. Banks generally like to see business promoters investing their own money in their business. It shows their commitment to the business and reduces the overall level of bank debt needed to kick-start the business and to facilitate future growth
- Grant assistance may be available to fund part of the cost of feasibility studies or capital expenditure. Employment grants may also be available for each newly created full-time job. Talk to your local Enterprise Board. A quick call can save you time and energy, and accelerate your plans
- Getting bank finance is essentially a selling exercise – you need to sell the concept of your business idea to the bank. Banks will assess the level of risk of your proposal and need to satisfy themselves that the potential rewards match the risk – ultimately, does your proposed business venture have the capacity to repay the debt?

Take a little time to consider all the sources and seek careful advice as to the most suitable mix for your particular business idea.



Applying for bank finance.

To access bank finance, your business must be able to generate sufficient funds to service interest and proposed loan repayments, while continuing to provide an adequate return to you and/or your business partners.

Because bank finance is an investment in the future, you will also need to show that your business can survive the medium-to-long term. Your bank needs to know that the business owners and managers have the skills and commitment to deliver the projected business results.

Applying for credit can be summarised into four simple steps:

Step 1

Talk to your bank.

Before you start preparing any application for credit, your first step is to make contact with your Business Relationship Manager or your branch's SME Specialist, and advise them you are seeking credit.

When you call in to your branch they will:

- Record your details
- Discuss your requirements
- Outline the information they will require from you to support your credit application
- Provide you with an SME Business Lending Application Form, which they will help you complete.

Step 2

Prepare your Business Plan.

No one knows your business better than you. You should present a clear picture of the key strengths and weaknesses of your business and the opportunities and challenges you are likely to face in the future - your business "story".

A well presented Business Plan, based on a solid appraisal of the business and its future prospects, will help to illustrate the business's story in a professional manner and is a valuable document which can be shared with other business stakeholders.

Your Business Plan should, at a minimum, include the following information:

- Background details of your business including ownership, people, activity, history and location
- Outline your current position, past achievements, future goals and strategy for the business
- Risk analysis outlining the key business risks from a market, customer, financial and operational perspective and the proposed steps to reduce these risks. AIB has developed a Business Plan Template to help you prepare and structure your information, which you can download directly from www.aib.ie/businessplan. Alternatively, you may wish to prepare your own business plan or use a different template.



Step 3

Prepare the required Financial Information.

In addition to the Business Plan, your bank will request you to provide financial information to help fully understand the nature of your business, future prospects and its long-term viability. Your Business Relationship Manager will advise you what further information is required in your specific case to ensure a speedy decision. This documentation may include:

- Asset/Liability profiles of the business and its owners
- Confirmation of current status of Tax Affairs (personal and business)
- Financial and Cashflow Projections
- Aged list of Debtors and Creditors
- If required, details of any security you are offering to support your credit application, for example, assets, personal guarantees, letter of pledge, etc.
- Asset/Liability profile of any proposed Guarantors.

If the business is already trading, the following may also be required:

- Up to date management accounts to reflect the current trading period
- Up to date certified audited accounts.

Step 4

Your meeting with your Bank.

Once you have all the relevant documents prepared, make an appointment to meet your Relationship Manager.

In order to give your Relationship Manager time to review your proposal, it is advisable to submit your proposal and supporting documentation to them 2-3 business days in advance of your meeting.

The aim of the meeting is to give you the opportunity to talk through the details of your application, ensure your bank has a full understanding of your business and the nature of your proposal. Your Relationship Manager will help you complete the SME Business Lending Application Form.

What happens next?

Once all the required documentation is in place, a formal application for credit is made. Your Relationship Manager will advise you of approximately how long it will take to process your credit application.

Once your application is assessed, your Relationship Manager will contact you to advise you of the decision and the next steps.

Your cashflow.

What is cashflow?

Cash is the lifeblood of every business, and managing cashflow is critical to survival and success.

Cashflow projection is simply, a projection of all the cash you expect to flow into and out of the business over a period and is one of the most powerful financial planning tools available to you as a business owner. Preparing cashflow projections should form part of the business budgetary process.

Cashflow projection enables you to look forward to assess any potential cashflow difficulties, assess future cash and funding requirements, and put appropriate facilities in place to meet cashflow requirements down the line.

Tips for comprehensive cashflow projections

- Include items of capital expenditure such as purchase of assets or payments related to acquisitions, for example premises, machinery, vehicles, office equipment, etc.
- Monthly fixed costs such as payroll, rent, etc.
- For monthly variable costs such as materials, heat, light, telephone and taxes, estimate the cost and timing of payments based on historical trends and other relevant current information available

- Outline any assumptions used for cost of sales, administrative and selling expenses
- Detail proposed funding from key people, other private capital investment, grant-aid and funding required from the bank should be given
- Be realistic in your projections and challenge your assumptions to ensure they are reasonable, not overly optimistic and will stand up to scrutiny from banks and other relevant parties. It is important that your projections are completed as accurately as possible. You may find it useful to get help from an accountant
- Prepare some different scenarios so that you can see what may happen if things do not go as planned, for example, you don't get paid on time or in full, increase in interest rates, higher than expected bad debts, loss of a contract, etc.



From our website www.aib.ie/cashflow you can download a cashflow forecasting tool that will help you to project the cashflow of your business.

Breakeven Analysis

Another essential financial planning tool is Breakeven Analysis. Every business should know how much it has to sell in order to breakeven.

Calculating breakeven is fairly simple – take your fixed costs and divide them by your unit selling price minus your variable costs – and can be calculated using the following formula:

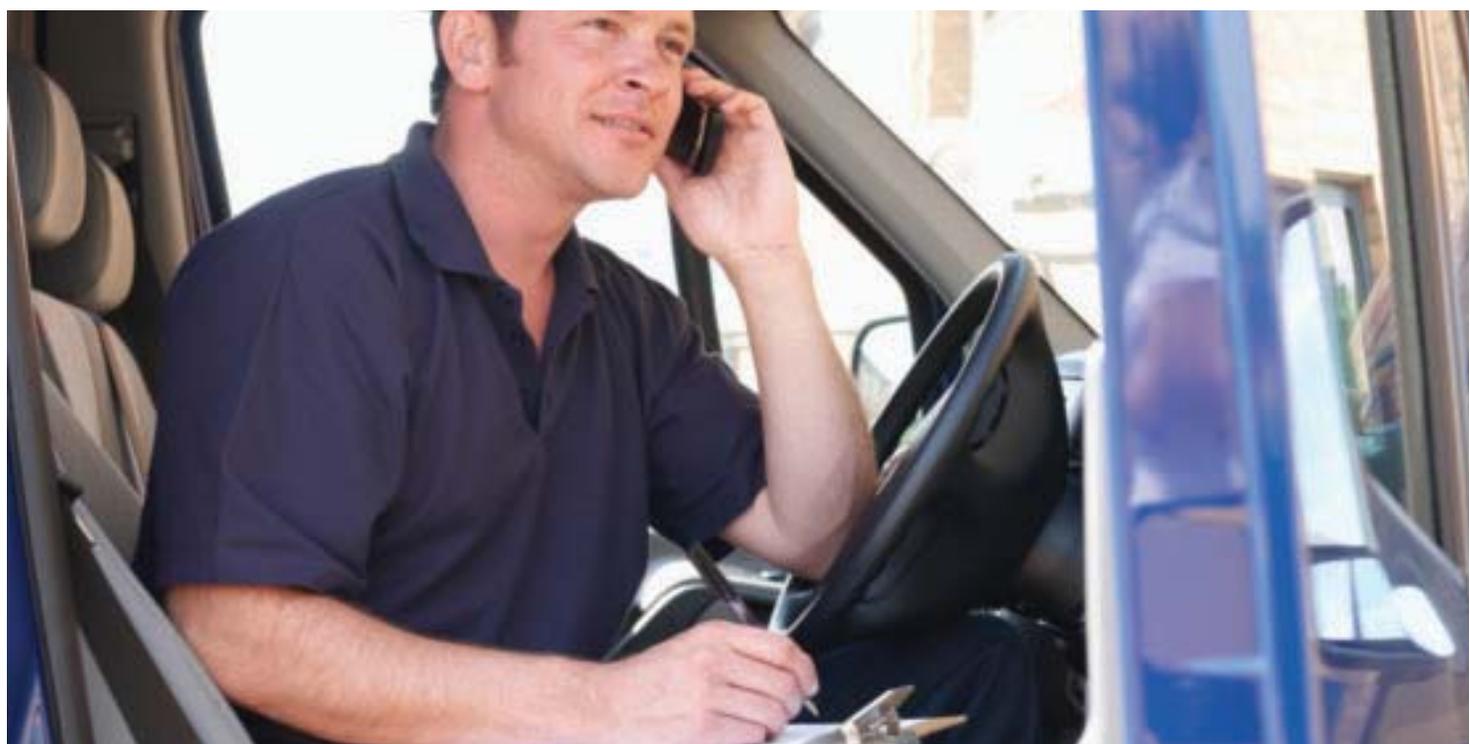
<p>Breakeven</p> $\text{Breakeven} = \frac{\text{Fixed Costs}}{\text{Unit Selling Price} - \text{Variable Costs}}$ <p>Lets take a start-up business for example:</p> <table> <tr> <td>Fixed Costs (Rent, rates, etc)</td> <td>€20,000</td> </tr> <tr> <td>Unit Selling Price</td> <td>€10</td> </tr> <tr> <td>Variable Costs (Labour, raw materials, etc)</td> <td>€5</td> </tr> </table>	Fixed Costs (Rent, rates, etc)	€20,000	Unit Selling Price	€10	Variable Costs (Labour, raw materials, etc)	€5	<p>Breakeven Calculation</p> $\begin{aligned} \text{Breakeven} &= \frac{€20,000}{€10 - €5} \\ &= 4,000 \text{ Units or} \\ &\quad \text{Sales of } €40,000 \end{aligned}$ <p>In order for our start-up business to cover all costs and breakeven, the business must sell €40,000 worth of product.</p>
Fixed Costs (Rent, rates, etc)	€20,000						
Unit Selling Price	€10						
Variable Costs (Labour, raw materials, etc)	€5						

Managing Debtors

Managing the customers who buy from you on credit is important. Making the sale is one thing, but collecting payment is ultimately what matters.

You should establish a clear credit policy, incorporating the normal terms of trade, which are set and strictly adhered to. The credit policy and terms of trade should be documented and circulated to all sales and finance staff.

Establish good working practices and be disciplined about implementing them from the outset — doing otherwise will jeopardise the success of your business.



Tips for managing customers who buy on credit

1. Stick rigidly to your terms of trade
2. Agreed terms and credit limits should be communicated and confirmed when taking orders
3. Calculate how much late paying customers will cost you. Remember to include the time you will spend chasing them. You could be using this time to sell to other / new customers
4. Do not be afraid to lose business by asking to be paid. Customers that do not pay are a liability
5. From the outset, try to minimise the amount of credit you give customers
6. Know with whom you are doing business - make credit checks and get trade references before you provide products and services on credit
7. Carry out credit checks on existing customers - they can often pose a greater threat if their business is struggling and their cashflow issues could impact your business
8. Put contracts in place for all significant customers, detailing the terms of trade and allowing for interest charges on overdue amounts to encourage prompt settlement
9. Never let collections drift - most customers will take as much credit as you give them
10. Know who owes what, and when they have to pay
11. If credit terms are breached, issue a formal letter requesting payment
12. If debts continue to remain unpaid, telephone the customer and ask for payment. Remind them of unfulfilled promises and do not accept excuses
13. Keep detailed logs of all discussions with debtors
14. If no progress is made or settlement agreed, consider the merits of commencing legal proceedings.

Useful websites.

Organisation	Description	Website
AIB Business Banking	Your first point of reference to find out more about our products and services available to our business customers.	www.aib.ie/business
AIB Seed Capital Fund	Investigate potential seed capital funding for your business.	www.aibseedcapitalfund.ie
AIB Start-up Accelerator Fund	Their venture capital team is one of the most internationally experienced groups in Ireland with operational and commercial expertise beyond investing.	www.actventure.com
Central Statistics Office	Ireland's national statistics office. Useful for market research for start-up businesses.	www.cso.ie
Chambers Ireland	A business organisation - a chamber consists of local business representatives who join together to promote the economic and social development of their community.	www.chambers.ie
Companies Registration Office	To register your business.	www.cro.ie
Department of Jobs, Enterprise and Innovation	For more information on government agencies and employment law.	www.djei.ie
Economic & Social Research Institute (ESRI)	Useful for economic information, trends and statistics.	www.esri.ie
Enterprise Boards	For support targeted specifically at the micro-enterprise sector.	www.enterpriseboards.ie
Enterprise Ireland	Government organisation responsible for the development and growth of Irish enterprises in world markets.	www.entepriseireland.ie
Environmental Protection Agency	An agency at the front line of environmental protection and policing.	www.epa.ie
Health & Safety Authority	Has the overall responsibility for the administration and enforcement of health and safety at work in Ireland.	www.hsa.ie
Irish Business and Employers Confederation (IBEC)	National voice of businesses and employees and is the umbrella body for Ireland's leading sector groups and associations.	www.ibec.ie
Irish Exporters Association	Represents the whole spectrum of companies within the export industry.	www.irishexporters.ie
Irish Franchising Association	Search for business franchise opportunities.	www.irishfranchiseassociation.com
Irish Small and Medium Enterprises Association (ISME)	Independent representative association for SMEs.	www.isme.ie
Microfinance Ireland	Microfinance Ireland has been funded by the Irish Government to provide loans to newly established and growing micro-enterprises across all industry sectors that do not meet the conventional risk criteria applied by banks.	www.microfinanceireland.ie
National Standards Authority of Ireland	Ireland's official standards body. It is the national certification authority for CE Marking.	www.nsai.ie
Irish Patents Office	Investigate granting of patents and the registration of Trade Marks and design.	www.patentsoffice.ie
Revenue Commissioners	For information on tax and implications for a start-up business.	www.revenue.ie
Small Firms Association (SFA)	National organisation representing the needs of small enterprises (those employing less than 50 employees).	www.sfa.ie
Údarás Na Gaeltachta	Regional authority for the economic, social and cultural development of the Gaeltacht - funds and fosters a wide range of enterprise development and job creation initiatives.	www.udaras.ie
Survey Monkey	To help you set up surveys to complete your market research.	www.surveymonkey.ie

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AIB's monthly SME newsletter.

Business Brief is AIB's SME (Small and Medium Enterprise) email newsletter, which aims to keep businesses informed on a range of topical and sector-specific issues, as well as AIB events and products. Business Brief also showcases the success stories of our customers who are building and growing their brands during very challenging times.

To receive Business Brief direct to your inbox each month, simply visit www.aib.ie/BusinessBrief and fill in your details. You can choose the specific sectors you are interested in. By selecting sectors of interest, you will receive tailored content in your newsletter and occasional news alerts/event invitations relating to your chosen sectors. You can opt out at any time.



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If you have any questions, just ask.

