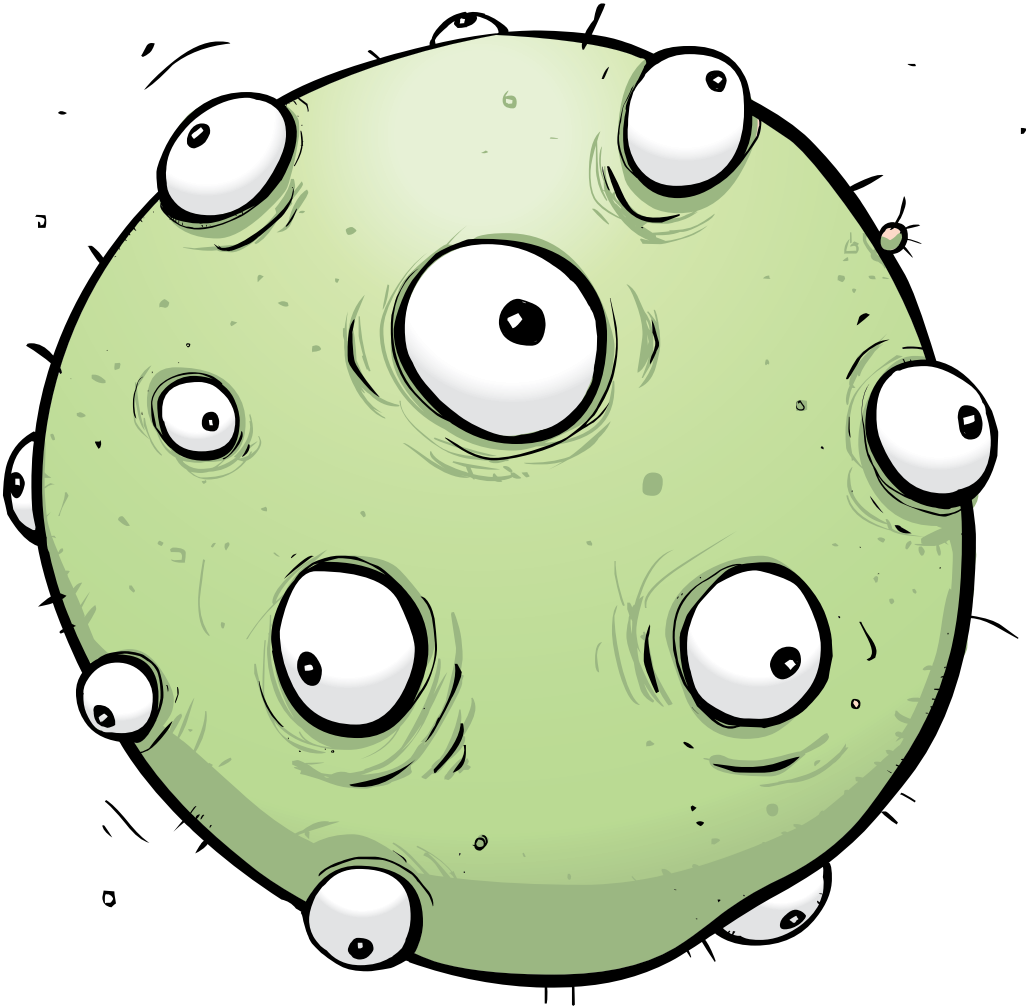


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TOP 10 THINGS

that can kill your business



PRIME: helping the over 50s set up in business

Some common business dangers



1. Failure to sell

New businesses should concentrate on winning their critical early customers before anything else. If you are uncomfortable with selling, try another approach. Selling doesn't have to be the traditional hard sell, but it does need to be done. Even when you are busy, set time aside for thinking about where your next customers are going to come from.



2. Not watching the cash position

Know what you have got from week-to-week, as this is a very common cause of often completely unnecessary failure. A sudden cash shortfall can happen even if things are going well. Indeed the cash can run out just when you get very busy, as you may be spending a lot on stock or materials and not have time to watch out for pitfall no 3.



3. Failure to chase for payment

Chase up money promptly or they'll think you don't need to be paid. Don't be embarrassed – if you have done the work you deserve to be paid. Don't take it personally – be businesslike at all times. Regular reminders and clear terms of payment can forestall many problems, but if you have to go to law the small claims court (the county court) is simpler than many people expect.



4. Underpricing

Pricing is one of the most difficult things for a new business to get right, because you don't yet know all your costs or how your customers respond to price. A common mistake is to overlook some major costs and thus set prices too low. It's hard to increase prices later. If on the other hand your prices are too high then achieving sales will be difficult and you may end up having to spend more on marketing. If you suspect this is the case experiment with lower prices through time-limited sales or trial offers to particular customers.



5. Failure to do a reality check on your basic business idea

Any entrepreneur needs enthusiasm to overcome the inevitable obstacles, but don't let this blind you to fundamental flaws in your business idea. Think of all the dreadful singers that enter The X Factor. Though their mum likes them, and their friends say they like them, neither is the audience they need to impress. Look at your business from the point of view of your real audience, the paying customers. Are there enough of them, and will they pay enough to give you a good income when all your costs are taken into account?



6. Ignoring seasonality

It is amazing how many types of business show a strong seasonal pattern of demand. It's not just toys, ice cream and fireworks but journalism, dog kennels and car parts. When you enter a market do all you can to quiz people in the know about its distinctive seasonal pattern. Methods used to counter big seasonal swings include adjusting pricing (as in the holiday industry), diversifying into markets with an opposite pattern and exporting to somewhere with different seasons.



7. Forgetting about the competition

It's a rare business that has no competition, so you need to think up good ways of dealing with it. Avoid entering a crowded market unless you have a very good plan for winning customers. There are already too many aroma therapists in some areas – which makes it difficult for any of them to make a profit. Try to make your product or service unique in some way that is important to the customer, so you are not competing head on. Take a lesson from the animal world and search out your own niche.



8. Ignoring legalities

Only take risks in the area you are most confident in – which for most people isn't the law. Minimise risks everywhere else so you have less to worry about. Always check the small print in contracts before you sign. You don't need to be obsessed with regulations, but watch that you have the necessary licences if you are street trading, that you obey hygiene laws if handling food and that you know the basics of employment law if you take someone on to help. Legal wrangles can waste a lot of your time or even close you down if you get it wrong.



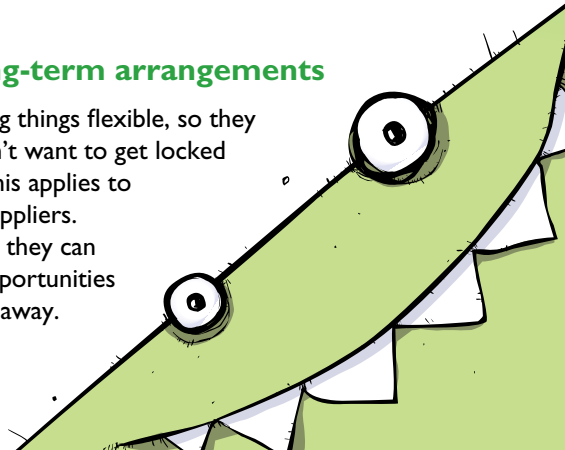
9. Taking too much money out too soon

Until the business has been running for some time you don't know how much money to keep in reserve to cover late payment, bad debts and unforeseen expenses. So put off major expenditure on kit, advertising or yourself so you always have some money in reserve.



10. Getting trapped in long-term arrangements

New businesses are usually best off keeping things flexible, so they can move to where the money is. You don't want to get locked into anything you can't get out of easily. This applies to premises, hiring staff and contracts with suppliers. The big strength of small businesses is that they can quickly change to take advantage of the opportunities they discover. Don't throw this advantage away.



Go to www.primebusinessclub.com for more on how to cope with each of these solvable problems

The PRIME Initiative, Astral House, 1268 London Road, London SW16 4ER
Freephone 0800 783 1904, email: prime@ace.org.uk

PRIME is a registered charity (number 261794-2) linked to Age Concern England and a member of the Prince's Charities Group. We help people over the age of 50 set up in business for themselves. These services are free



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