



Simply Business

THE SIMPLY BUSINESS GUIDE TO

Starting a retail business

Guide #1

The UK's biggest
business insurance
provider



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Covering over
300,000 businesses
& landlords

Thinking things through

It's great news that you're taking your first steps to setting up a retail business. Recent research shows that the number of independent retailers has soared by 110% over the last five years.

Although there's lots of scope for success, there are also challenges ahead. To give your retail business the best chance of taking off, we've outlined some of the things you need to think through first.

Personal considerations

You'll probably be saying goodbye to a steady income for the immediate future. You'll also be foregoing

employment benefits like contributions to your pension pot and sick pay. Make sure that you've thoroughly reviewed your family finances and budget, so that you know you can afford to keep your household afloat while you're getting your business started.

Also have open conversations with your immediate family. Starting a business can put a lot of strain on your relationships, and things will be easier if those closest to you know what to expect from the next few months and years.

Next, reflect on your own skills and experience. Perhaps you're an excellent salesperson or a digital marketing wunderkind, but it's unlikely that you're savvy in all of the

skills that starting a business requires. Spend some time considering your own weak points, and thinking about how you can fill the gaps: are there extra skills you can learn, or is there a chance that you'll need to call in a consultant, or even bring in a business partner?

Your business idea

The next thing to think through is the viability of your business idea. Is there enough demand for your product, and what will make your shop stand out from the crowd? Market research can range from gathering anecdotal feedback from your friends and family, to sending out questionnaires, to interviewing people who buy from

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your competitors. The main thing is that you do as much research as possible, and seriously consider tweaking your products according to the feedback you get.

You should also think carefully about your target audience and research the demographics. If you're setting up a bricks-and-mortar shop, make sure that you know about the kind of people who live and shop in the local area; how old are they, how much disposable income do they have, and what kind of products do they buy? There are lots of websites that can provide this kind of information based on a postcode.

Start small

When you first get going, you should start as small and streamlined as possible. If you put lots of money and time into your business and then it doesn't work out, it will be an expensive experiment. Instead, follow a 'lean' approach, and test your idea on a small scale first. This could mean that you begin with a minimal website or something like an *eBay* account and try selling a handful of products, or that you hire a retail space for a short amount of time or run a 'pop up' shop for a temporary period. If your business is quickly a runaway success then you can start expanding. If it doesn't work as well as you hoped, you'll have the chance to adjust your idea and try again.

Online or on the high street?

An online-only business is likely to have much lower start-up costs and overheads. Plus, customers are increasingly choosing to shop online. However, it can be tricky to get people to your website, and perhaps your heart is set on having a proper shop. Again, it's important that you do your research properly; making the right decision will depend on what kind of products you're selling, and how people normally shop for them. People may prefer to buy their upmarket jewellery in a boutique shop on the high street, but tend to buy their second-hand books online, for example.

Making a business plan

A business plan is crucial for persuading potential investors, convincing a bank to give you a business loan, and for getting your business idea straight in your own mind.

These are the elements that a good plan should include:

Section 1: Executive summary

You: Write a brief summary of your own experience, your qualifications, and the path that led you to setting up your business.

Your business: Next, construct your pitch: what your business offers, the benefits for customers, why you think it will be successful, who it's aimed

at, and what makes it different. Keep this opening short and compelling; it should act as your 'elevator pitch'. Many people who read your plan will make a judgement based on this section, so work hard on it and return to it again once you've completed the rest of your plan.

Details: Include the start date for trading, the business type and sector, the legal structure of the business, and any patents or rights you've bought. If you're buying the business from someone else, include details about the history and past performance. If the business has already launched, describe your progress so far. Explain where you see the business going in the next few years.

Section 2: Your market

Customer profiles: Write profiles of your target customers. Consider where they live, what types of products they buy, and what type of lifestyle they lead.

Competitors: Who are your competitors, and what separates your business from the rest of the crowd?

Research: Include the results of any market research that you've conducted, including data and quotes that support your business proposition.

Section 3: Sales and marketing

Marketing: List the marketing channels you plan to use, such as PR, advertising, online, and direct mail. Add detail about how each will bring customers to your business and also explain and justify your pricing structure.

Brand: Think about your position within the market and how you can create a niche for your business. Include details and designs for your brand.

Section 4: Operations and infrastructure

Business premises: The costs, location, whether you rent or own it, insurance, and future plans for expansion. Also outline the pros and cons of the location. If your business is online, mention any plans for renting storage space or office space, for example.

Infrastructure: Think about what technology and equipment you'll need to get started. Summarise your provision for managing accounts, payroll, health and safety, and quality control. Include the start-up costs that you expect and the investment you need.

Facilities, tools and stock: You need to detail who your suppliers are, whether you're sourcing new or second-hand items, and how you're insuring your tools and stock.

Employees: If you plan to take on staff, provide a list of the roles you need to fill. If you've already hired people, outline the strengths and skills you've got in your team.

Section 5: Financial projections

Cashflow forecast: When will money be coming into your business, and when will it be going out? Consider key factors that will affect your cashflow, and show that your business will have enough money to keep afloat.

Sales forecast: Make a spreadsheet showing how much income you expect to get from sales.

Profit and loss: This is the level of profit you expect to make over time, given sales and outgoings. Project the financial state of your business at the end of year one, two, and three.

Extras: Also include a summary of any capital that you need, security you can offer lenders, a debt management plan, sources of revenue and any relevant personal financial information.

You may want to use appendices to include more detailed financial information, including month-by-month forecasts and any assumptions you've made in your calculations.

“Construct your pitch: what your business offers, the benefits for customers, why you think it will be successful and what makes it different.”

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Choosing a business structure

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The structure that you choose for your business makes some important differences, including the taxes you have to pay and the amount of personal responsibility you have for business debts. Below are the most common UK business structure types, starting with an alternative approach: franchises.

Franchises

If you're keen to set up a shop but you're not desperate to try out your own idea, you could consider buying a franchise. Well-known franchises include *Costa Coffee* and *Subway*. Buying a franchise can be expensive, but it's potentially less

risky: a good franchise opportunity gives you the chance to buy into an established brand with existing resources and a customer base. There are several directories online that publish current franchise opportunities.

Sole trader

If you set up as a sole trader, you run your business as an individual, and you can keep all of your business's profits after tax. You can still hire staff, but the 'sole' bit means that you're solely responsible for the business, and you're personally responsible for losses that your business makes. You're effectively self-employed: you must complete a self-assessment tax return each year



and pay income tax on your business profits. It's not compulsory to register for VAT unless your takings are likely to be over £82,000 per year. On official documents, you should include your own name as well as your business name.

Partnership

This business structure is very similar to a sole trader, but you share profits and responsibilities with your business partner(s). Each partner has to pay tax on their share of the profits using a self-assessment tax return. You also need to decide which partner will be responsible for managing tax returns and business records. This is the 'nominated partner', and they must also complete a partnership self-assessment tax return. You can find more details on the [HMRC](#) website. It's a good idea to draw up a legal partnership agreement, so that everyone knows where they stand, and things are clear if you decide to close the business.

Limited company

The major drawback of being a sole trader or a partnership is that you're personally responsible for any business debts. These debts are treated like your personal debts, meaning that your personal assets (for example your house) could be claimed as repayment. Things are different if you set up a limited company: directors aren't responsible for debts that the business can't pay. However, setting up a limited company is more complex. You need to register with [Companies House](#), and you have to have at least one director and one shareholder. You need to draw up a 'memorandum of association' and 'articles of association', using templates that can be found on the [Companies House](#) website. If you pay yourself a salary from your business, you will need to [register for PAYE](#) to arrange income tax and national insurance payments. Your business must also pay corporation tax on any profits.

The best retail
insurance products
on the market

RETAIL INSURANCE

Tailored cover for your shop

Simply Business is the UK's biggest business insurance provider, protecting over 300,000 businesses. We provide [business insurance](#) for shops and retail businesses up and down the country.

To start building your shop insurance policy, it's a good idea to start with [product liability cover](#), which can protect you if someone claims compensation for injury or property damage. Simply Business offers between £1 million and £5 million of cover.

You could also consider taking out [business interruption insurance](#), [public liability insurance](#) and business turnover protection. Plus, if you have any staff you're legally required to have [employers' liability insurance](#).

Insurance is important for web-based or online retail businesses too. In particular, product liability cover can protect you against compensation claims for injury or damage caused by the products you sell. We've created the [Simply Business Online Retail Insurance](#) on the market that's been specially designed for retail businesses that trade online.

Cashflow tips

- Business overdrafts and credit cards can give you some financial flexibility, providing an instant way to pay for unexpected costs. But make sure that you pay them back promptly, as rates can be high.
- If delayed invoices cause cashflow problems, you can use 'invoice factoring', which involves selling your unpaid invoices to a third party, or 'invoice discounting', which means borrowing money against your unpaid invoices.
- Leasing business tools and equipment rather than buying means that you can spread the cost across the year rather than paying a high upfront cost. You can usually deduct the full rental cost from your taxable income.

Raising money

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How much do you need?

The amount you need to start a business can vary hugely: one [entrepreneur](#) claimed that the average start-up cost was over £90,000, while a [survey](#) found that more than three-quarters of micro businesses launched with less than £2,000. As part of your business plan, you should have worked carefully through how much money you need to get going, and forecasted when you hope to see cash flowing back into your business. If you haven't, this is the time to do so. Then the next question is: how do you actually raise the start-up capital you need?

Savings

Most business founders have to put some of their own money into their venture at the beginning. If you're lucky enough to have savings to draw on, is your money in the highest interest account you can find?

Try to avoid draining your savings account entirely when you're setting up shop. Ideally you'll have a couple of thousand pounds of back-up money in the bank, as unexpected costs are likely to crop up when your business gets going.



Borrowing from friends and family

If your loved ones offer to help you out financially, talk things through carefully before agreeing. While borrowing from friends and family can mean low interest rates and no need for collateral, it can also damage personal relationships if things go wrong. If you decide to go ahead, make sure you follow a formal path: give your benefactor as much honest information as possible about the opportunities and risks of investing in your business, and draw up a proper document including details of the loan and the repayment plan.

Getting a loan

It can be difficult to convince a bank that they should lend money to your new business. To stand a chance, you'll need to provide cashflow forecasts and prove that you will be able to pay back the loan plus the interest. You could also consider applying for the

government-funded [Start Up Loans](#) scheme, which offers low-cost unsecured loans and business mentoring for new businesses.

Grants and investors

You can find government funding options using the [Government Grants](#) on the gov.uk website. It's also worth looking into European Union grants through the [European Commission](#), and checking out charities like [The Prince's Trust](#), who offer low-interest loans and a small number of grants for startups. Other options include equity crowd funding through websites like [Seed&Spark](#) and [PledgeMusic](#), or trying to get an 'angel' investor on board, who will usually take shares in your business in return for capital.

Getting set up

Stock

Perhaps you're making your own products to sell. If this is the case, make sure that you have access to all of the materials you need and that you've negotiated the best possible price from your supplier. Before your shop opens, think carefully about timeliness: how quickly can you make each product, and how many items do you need prepared before you launch?

If you're buying your products, put time and effort into finding a good local supplier. Don't be intimidated by the idea of approaching a wholesaler; minimum order amounts often aren't that high, and you usually need minimal proof of the fact that you're a business, for

example an invoice or a statement from your business bank account. When you're choosing stock, stay focused and keep true to your core business idea: you can choose a range of products, but they should ideally adhere to a theme so that your shop doesn't seem chaotic.

Hitting the high street

If you're setting up a bricks-and-mortar shop, finding a premises in the right location is going to be crucial. It will be an uphill struggle to convince customers to come to your shop in an out-of-the-way location, although it can work if you're selling a very specialist product that

people are prepared to travel to buy. Usually, setting up shop in a popular retail area is the best approach. This will give you the chance to capture customers walking past. Although you will pay more in rental costs, this should be balanced out by your decreased marketing spend to get people through the door, and hopefully by your higher volume of sales.

If you're considering a high street shop, you need to think about upfront costs and overheads when you're calculating the amount of start-up capital you need. Costs include energy bills, refitting, signage and branding, furniture and fittings, and many more.



Pop up shops

If you'd like to test out the idea of setting up on the high street with a little less risk and investment, you could consider a 'pop up shop'. This means getting a short-term lease on some retail space and opening for a limited time only with a relatively small amount of stock.

To find out more, read [Pop up shops](#) on our website.

Setting up online

Whether you're starting a high street shop or an online retail business, you need to set up a website. But obviously if your retail business is solely online, your website is your shop. To build your site, consider a Content Management System (CMS) that has shopping cart plug-ins for e-commerce. There are many options out there, but *WordPress* is one of the most popular. Make sure that your selling process is secure, and that your customers are reassured that their card details are safe.

In terms of your website content, keep things simple: take good photographs of your products, and make

key details like price, product information and postage details clear. Include an 'about us' page that tells people a bit about you and your company. Make your contact details prominent, including a business email address and a phone number.

It can be difficult to get people to visit your site, so you could consider using an established online retail platform like *eBay*, *Etsy* or *notonthehighstreet.com*. You will usually have to pay a fee or commission, but your products are much more likely to be seen. If possible, provide a link to your own website from the product description, and eventually you should be able to build up enough brand awareness and attract enough loyal

customers to get people to visit your site directly.

Although it might seem like there are few overheads for an online business, there are actually many costs that you need to take into account, including web hosting, graphic design, stock storage, and insurance. And when you set your product and postage prices, make sure that you factor in the cost of packaging and taking the parcels to the post office, so that you're not eating into your profit margins.

“Public liability insurance is usually central to a shop insurance policy, because it’s important for businesses that have contact with suppliers and the general public.”

Protecting your shop

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Fire and theft

Shops are subject to lots of fire safety regulations. The ‘responsible person’ is the owner, landlord or occupier, and that person is responsible for creating and maintaining fire risk assessments and evacuation plans, and for making sure that the shop has fire alarms and equipment.

To keep your shop safe from theft, you should find an alarm company that’s approved by the National Security Inspectorate (NSI) or the Security Systems and Alarm Inspections Board (SSAIB). You can find directories of approved companies on the NSI and SSAIB websites. There’s a wide choice of intruder

alarms available, from an alarm that just activates a bell, to one that fills the shop with smoke or fog, to monitored alarms that link through to a response centre that’s connected to the police.

Public and product liability insurance

Public and product liability insurance is usually central to a shop insurance policy, because it’s important for businesses that have contact with suppliers and the general public. It covers you for injury or damage claims made against your business. For example, if someone slipped on wet floor in your shop and broke their arm, they could sue your shop. A good liability policy would cover the



solicitors' fees and legal costs, as well as any compensation claim, up to the limit of the policy. Similarly, [product liability insurance](#) can protect you against damage or injury that someone blames on your products.

Other types of shop insurance

If you have staff working for you, you're legally obliged to take out [employer's liability insurance](#), which covers compensation claims made by your employees for illness or injury that's caused by their work.

Other insurance options worth considering include [theft and vandalism insurance](#), contents insurance, and business turnover protection. All of these policies can help you stay afloat if your retail business is the victim of theft or vandalism, or if your shop is affected by a disaster like fire or flood.

Online retailer insurance

You might think that business insurance isn't necessary if you only sell online, but actually it's still a good idea to think about covers like product liability insurance and stock cover. For example, if you sell children's toys online and a faulty toy hurts a child or causes a fire, you could claim on your product liability policy. And it's important to know that even if you don't actually manufacture the things you sell, you could still be liable for compensation claims. Meanwhile, stock insurance can cover replacement costs if your stock is damaged or stolen, which usually wouldn't be covered by your normal home insurance policy.

Because online sellers have quite specific needs, Simply Business has designed a [product liability insurance policy](#) for online retailers.

Attracting customers

Online marketing

If you're opening a high street shop, you may consider online marketing as one possible tactic to get people through the door. But if you're setting up an online shop, a good grasp of internet marketing will be central to your sales strategy.

First, you'll need a good working knowledge of Search Engine Optimisation (SEO). This means building and running your site in a way that improves your position in the search rankings, so that people find you when they search online for products to buy. *Google* is by far the most popular search engine in the UK. Unfortunately, it takes a lot of time, patience and effort to improve your

position in the search rankings, and if you're competing against big companies with well-established websites and big marketing budgets then you're likely to struggle. The good news is, there are lots of free SEO guides online to help you get started.

An easier way to appear prominently in search results is to use *Google AdWords*. This involves paying to appear at the top of search results pages. You only pay if someone clicks on your ad, but you need to make sure that you have well-targeted ads and a well-designed website so that those clicks actually convert to purchases.

It's also a good idea to set up social media accounts for your business. Choose the platforms that your target

customers use, and then build your strategy around sharing interesting content and engaging with like-minded people and businesses, rather than bombarding the social sphere with sales messages.

PR

The launch of your business is a story, and it's one that could generate some press coverage if it's told properly. Put together a press release with a snappy headline and explain a bit about your business, including a couple of quotes from you as the founder, and any newsy elements that could provide a good press angle. For example, is your shop opening in a building with a

remarkable history? Are you selling products that have an interesting provenance, or that haven't been sold in the area before? Or is there something about your own history and your journey to starting your shop that could provide a good journalistic hook? Keep your release brief and interesting, and send it to the local press and relevant trade magazines. If you're hosting a launch event then include an invitation, and if you're selling a new product then send samples if possible. You may get a journalist or two attending your launch party, and your product may be featured in a review section if it goes down well.

To increase the chances of your shop appearing in the press in future, develop relationships with local and trade journalists. If you're an industry expert, you could put yourself forward to be a columnist or a panellist for an advice section, or offer contributions to websites and publications.

Advertising

Appearing in directories such as the *Yellow Pages* (or its online incarnation), or *Thomson Local* (online as) can help to bring in leads. You could also consider paying to appear in trade journals and directories if you're selling to other businesses.

It's usually expensive, but you could trial placing adverts in local papers and magazines. It's also worth designing

flyers, leaflets, business cards and other marketing materials so that happy customers can pass details on to their friends and family, and you can take promotional material to networking events. Distributing flyers in the local community, either by putting leaflets through letterboxes, or handing them out on the high street, is a more direct option.

Presence

If you're opening a high street shop, aim to make a positive impact with your arrival. Throw an opening party or a launch event: invite local people, spread the word on social media, and ideally get some local personalities and journalists involved. Have some special launch offers and loyalty cards ready for the big day.

Once you're open, offer free tasters or samples of your products outside or nearby your shop, and announce your newly-open status with eye-catching balloons and posters. Make sure that your staff are prepared to be friendly and welcoming by greeting each customer and explaining your products and any launch offers.

And even once you've been open for a while, make sure that you keep engaging with your local community: help to judge the local dog show, lend products or equipment to a charity event, or become a small sponsor for a local cultural or sporting event.

Get started with SEO

Start optimising your website by investigating good SEO copywriting practice and performing keyword research. Also make sure that you're providing useful information on your website and you're keeping your pages updated, and think about developing guest posting relationships with other websites. Finally, get to grips with meta-data and tagging. It pays digital dividends.



Simply Business

About Simply Business

At Simply Business, we protect people like you – the small businesses who are building Britain's economy.

We also provide news, guides and inspiration to the small business community in our Knowledge Centre and social media channels.