

Title:

Common Mistakes Small Businesses Make and How to Avoid Them

Word Count:

977

Summary:

Unfortunately very few start up businesses make it beyond their 3rd year. Failure is usually down to a number of clearly identifiable mistakes, which if small business owners are aware of, can increase their chances of survival.

Keywords:

small business failures, reasons for failure, closure

Article Body:

Unfortunately very few start up businesses make it beyond their 3rd year. Failure is usually down to a number of clearly identifiable mistakes, which if small business owners are aware of, can increase their chances of survival.

Here are the top 10 common mistakes which small businesses tend to make.

Lack of Market Research

When a budding entrepreneur comes up with an idea for a new business he assumes that because he would buy such a product or service then everyone else will. This may be the case for day-to-day necessities but for other items this is usually not so.

It's important that when you start up you carefully research the market to check that:

- There is demand at a level which would lead to a sustainable business
- People are prepared to pay the price required for you to make a decent profit

Undertaking market research may appear time consuming but the effort will pay off.

Poor Record Keeping

Some business people are not born administrators; they feel more comfortable

getting out there and 'doing the business'. Paperwork is too easy to ignore but can never be put off indefinitely.

Sales, purchases and other expenditure must be carefully documented, so you know whether you are making a profit or not. Invoices must be issued on time and chased up promptly if there is a delay in payment. It's all very well having the sales but poor record keeping can hold you back.

Having your paperwork in order will also save you time when it comes to your accountant doing your year-end books!

Insufficient Capital

When starting off it's easy to decide what capital is required for fixtures and fittings, machinery and stock. What many new business owners forget about is the cash needed to fund day-to-day requirements, i.e. cash to pay expenses before your customers pay you. This is known as your working capital requirement.

Small businesses can fail because they have insufficient cash to start off to meet these immediate expenses. If you wish to survive make sure you set aside enough cash to meet all your needs for the first few months.

Ineffective Marketing Or None At All

You cannot afford to treat the cost of marketing as an unnecessary expense. A business with no marketing is like waving in the dark - you know you are doing it but no one else does!

There are many ways to promote your business on a small budget; it's just a case of being inventive and creative. What ever you do, don't assume that people will quickly know you are in business - they won't, unless you tell them.

Ingoring Changes In The Market Place

As a small business owner it's very easy to get immersed in your business and not see what is happening around you in the market place. Always keep your eyes and ears open to what the competition is doing and what your customers want. Don't get left behind.

Owner's Attitude

Attitude is everything in business. Don't forget that the real boss in your business is the customer. Running a business may make you feel important but

don't let this develop into an 'I am better than you' attitude. Do this and you will quickly chase your customers away.

Spending On The Wrong Things

Being in business can be exciting, especially as the cash starts to roll in! However, don't be tempted to spend it on a new car, a house or just a good time. If you are to own a successful business then you have to keep some cash back to fund future growth. A business cannot grow without cash, so commit to spending business money on the business.

Dependent On A Small Number Of Customers

Don't fall into the trap of setting up a business just because one person says they will buy from you every week or month. Setting up and running a business, which is dependent on one customer, is not a recipe for success. What happens if, one month after you have spent all your cash to set up your business, that customer says he has changed his mind and has decided to buy elsewhere? Unless you can find other customers very quickly you are faced with closure.

Before embarking on a new venture make sure you have a sufficient number of customers such that if a few go elsewhere you can still continue trading.

Growing Too Quickly

Surprisingly, growing too quickly can be a problem. You have to be disciplined enough to only take on work you can handle. If you are tempted to accept too much you could end up disappointing not only the new client but also your existing ones.

Also, don't under-estimate the impact rapid growth can have your administrative burden. As I mentioned earlier, getting behind on the paperwork can have an equally damaging effect on your business.

Trying To Do Everything

Finally, the problem most small business owners have is the fact that everything falls on their plate. Inevitably this is how it's likely to be in the beginning, when the limited budget means that staff are a luxury, but as the business grows be aware that you cannot continue to do all tasks. There will come a point when you become inefficient and not have enough time to complete everything in sufficient detail. Taking on an extra pair of hands will increase your costs but you will be surprised at how much time will be saved, allowing you to do what

you do best - getting the business in.

Take a look at each of the mistakes and make sure that you don't fall into these traps.