

Helping You Succeed in Business

7 Steps to Business Success

This guide provides seven steps to help you assess whether your business will be a success.

Starting your own business is a rewarding and challenging career option. However, be mindful that a high percentage of new businesses fail in their first three years of operation due to poor planning and management.

A few ideas to help improve your chances of success are:

- **Consider your suitability:** Start a business where you already have industry or management experience. Studies show that those starting a completely new venture have a higher risk of failure. If you are starting a new venture, ensure that you are continually learning new skills and researching your industry.
- **Consider your idea:** Assess the merit of your business idea and determine whether people will be willing to pay money for your product or service.
- **Consider your market:** Develop a way of consistently reaching your customers, because you require customers in order to survive. You might also find a lot of marketing is needed to help establish a name for yourself.
- **Consider your competition:** Look into what your competition are doing because you need to create a competitive advantage to succeed.
- **Consider the environment:** Try to keep in touch with what is happening in your industry, the general trends and the overall economic situation so you can take into account factors that might affect your success.
- **Consider your finances:** Keep accurate and up to date financial records and manage your cash flow. A close eye on performance means you can address problems straight away rather than leaving it too late.
- **Consider your start-up:** Make sure you have enough money to cover your start-up. Many people budget optimistically and then, when in trouble, they find banks are unwilling to lend money because of the risk involved.

What do I do next? After you have considered all the points above, it is a good idea to complete a business plan. This can increase your chance of obtaining finance as well as help you to assess the feasibility of your business idea. The Department of Tourism, Regional Development and Industry offers a range of products and services to assist you with planning for your business. These include interactive online tools, tailored business planning and information kits, and a range of business related books and resources.

For more information, call the Business Hotline on 1300 363 711 or visit www.business.qld.gov.au

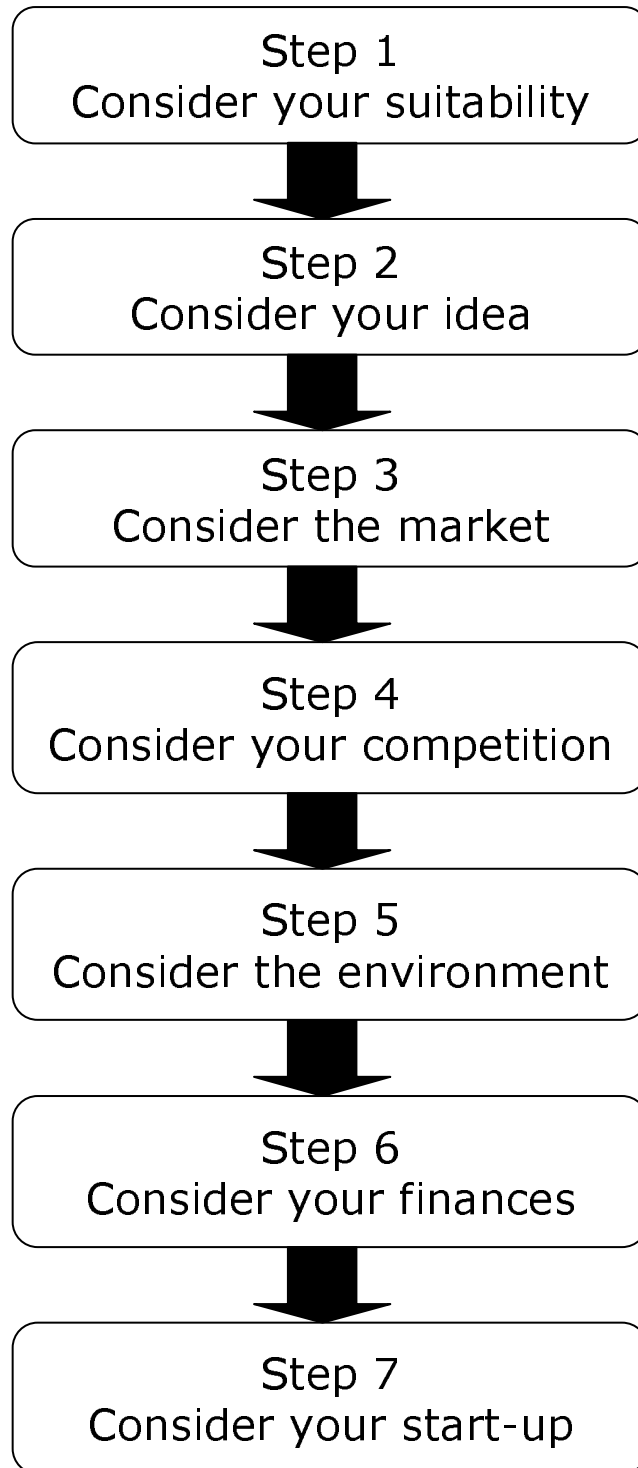


You can also assess for yourself how prepared you are to go into business by taking the Business Readiness Diagnostic quiz – available at www.business.qld.gov.au/businessreadiness

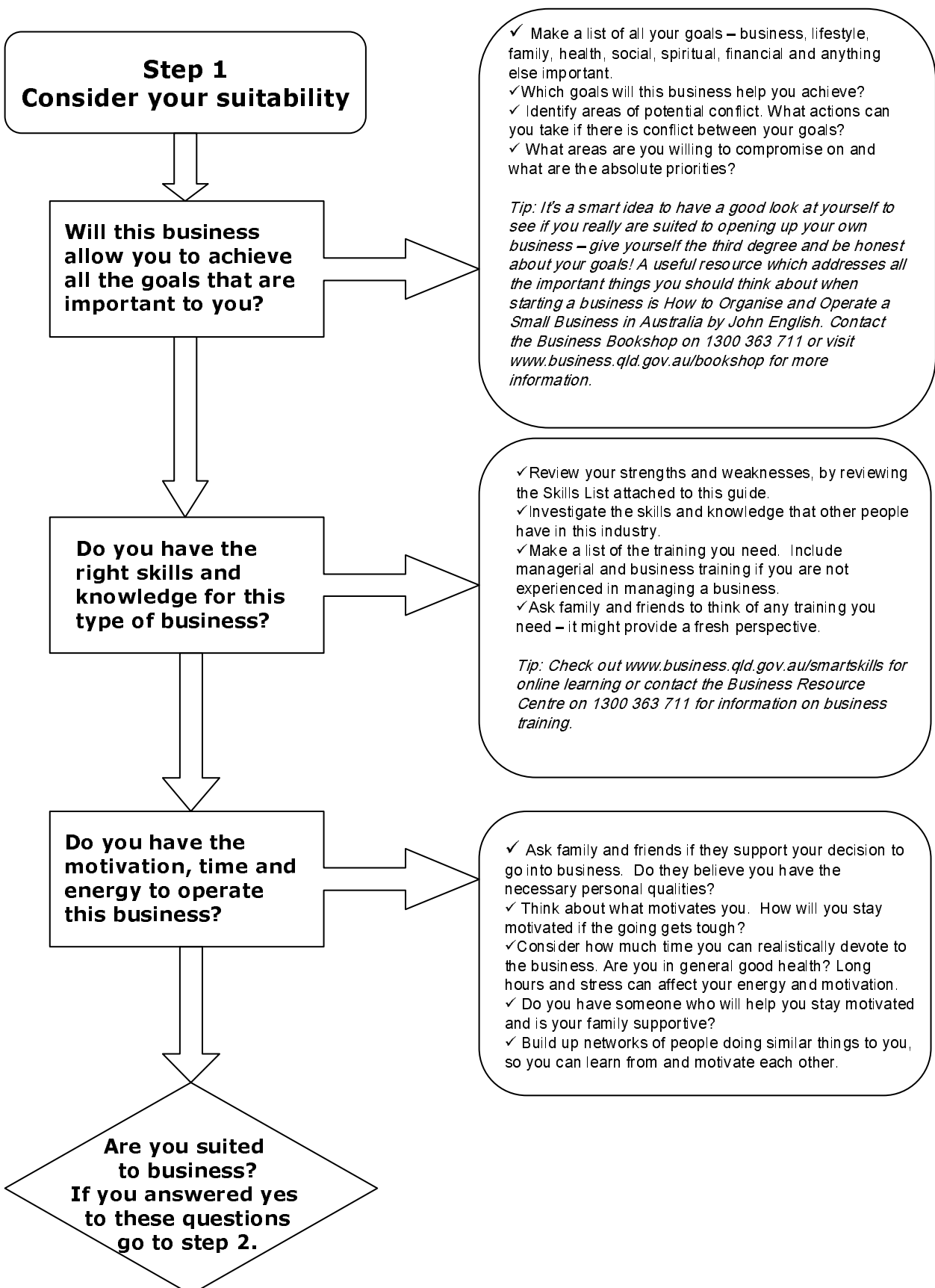


Queensland
Government

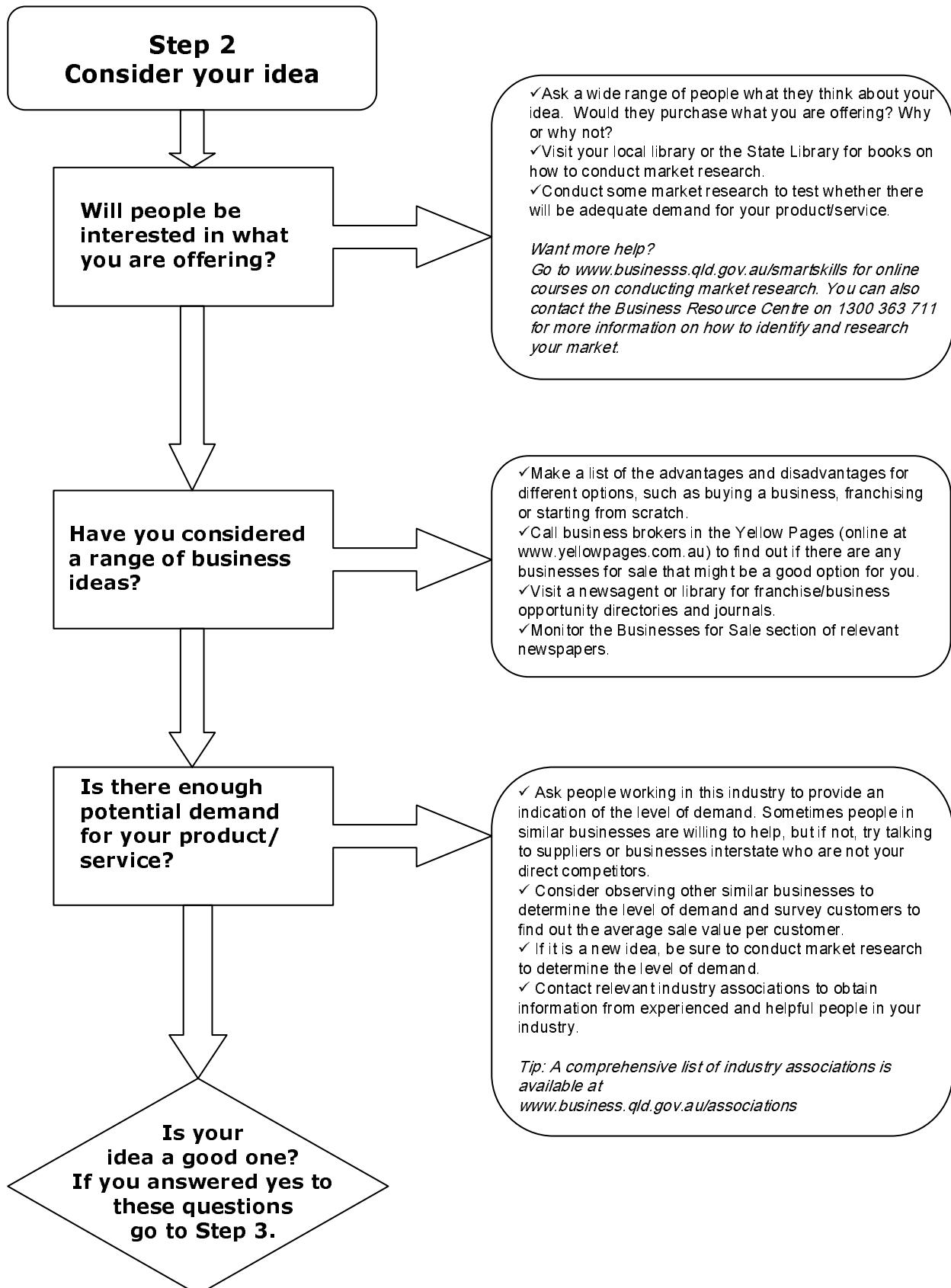
7 Steps to Business Success



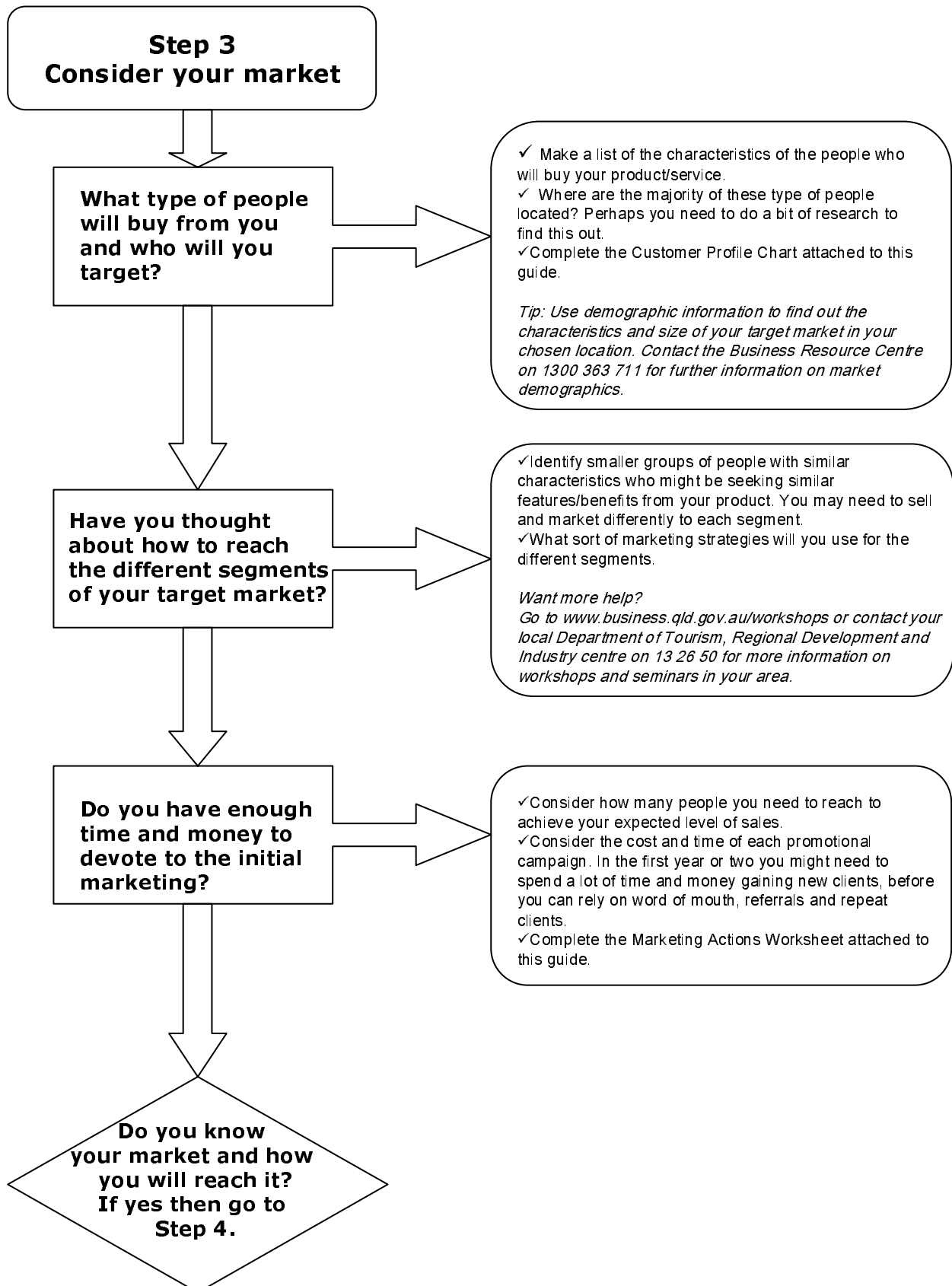
7 Steps to Business Success



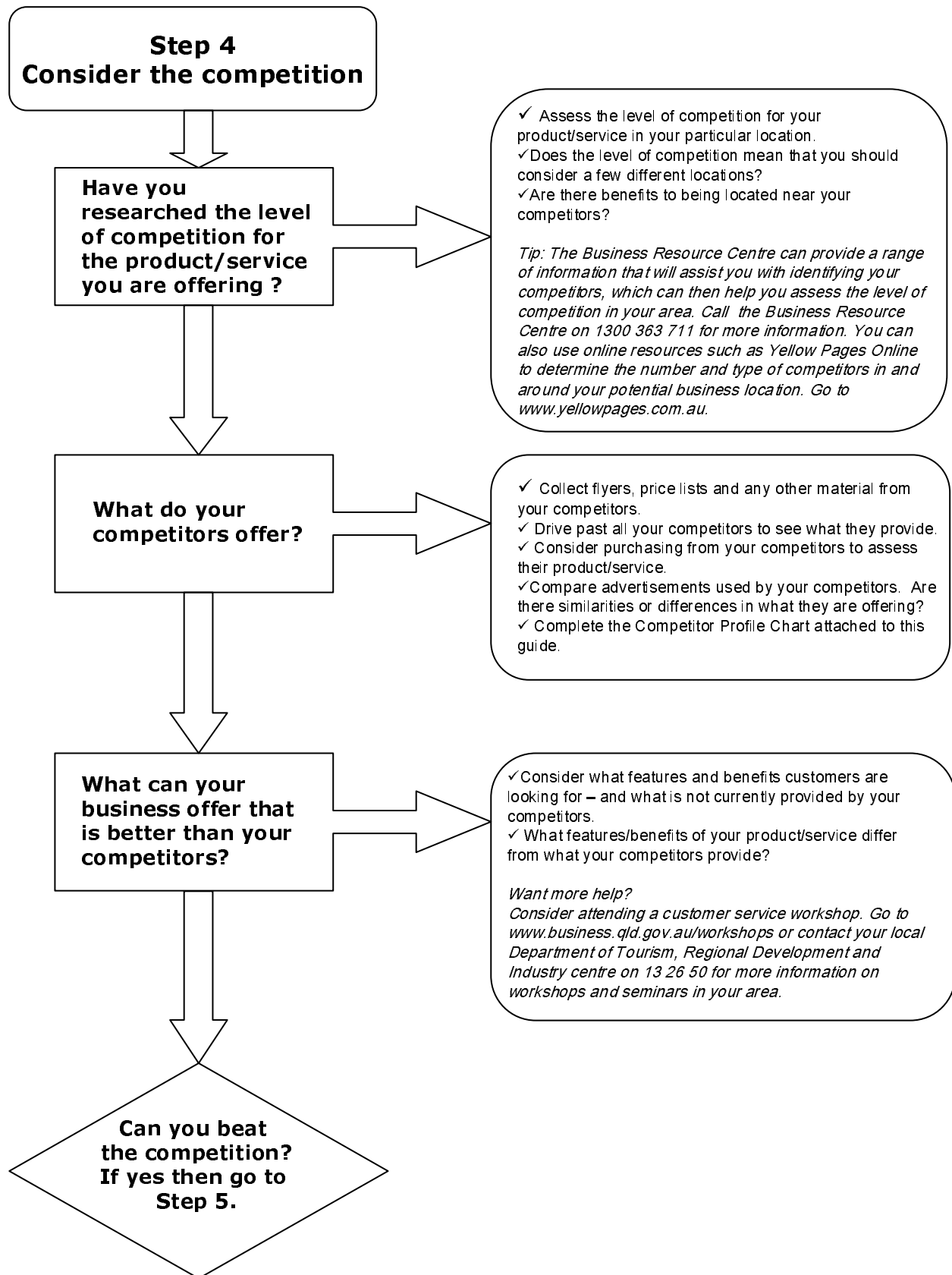
7 Steps to Business Success



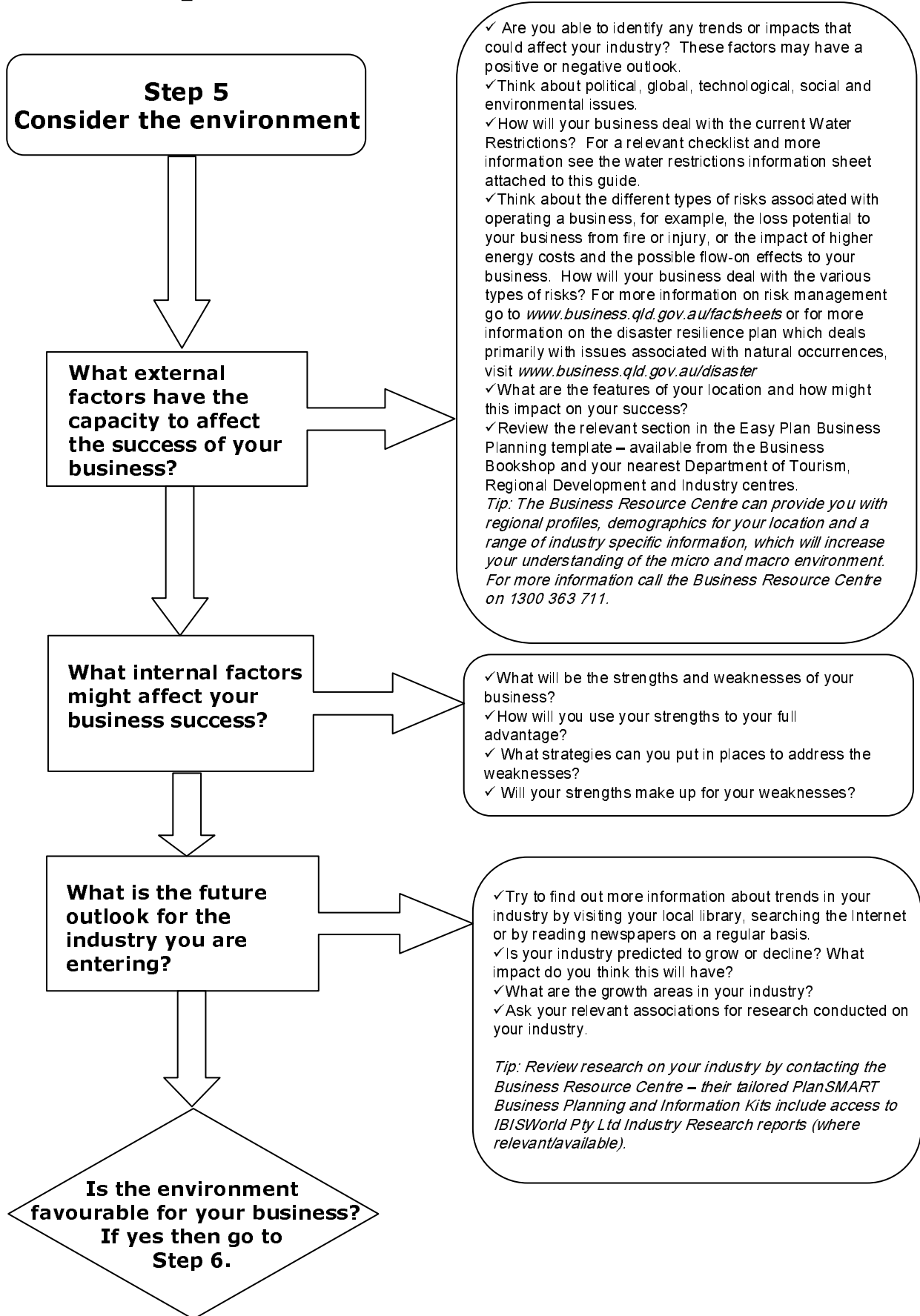
7 Steps to Business Success



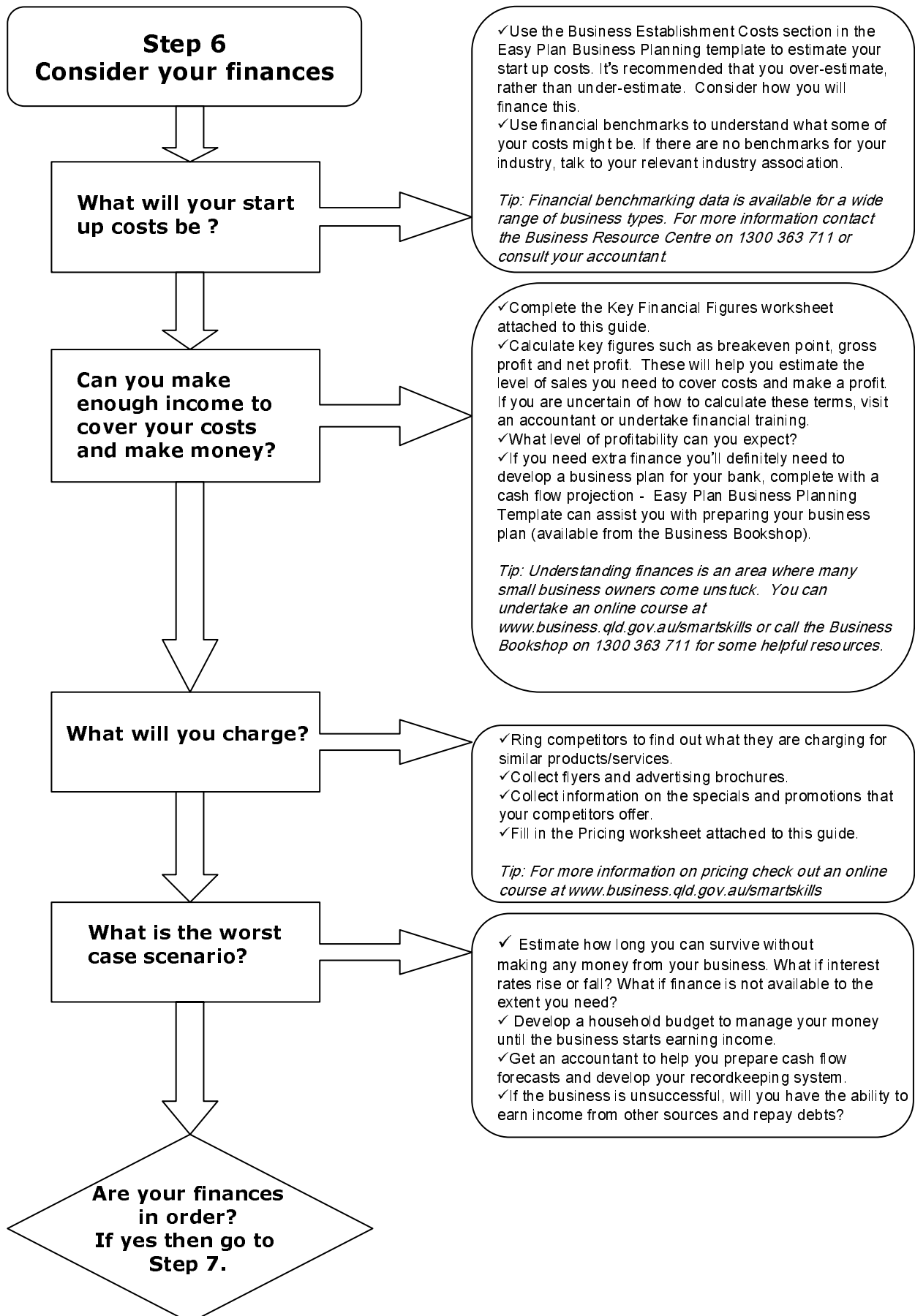
7 Steps to Business Success



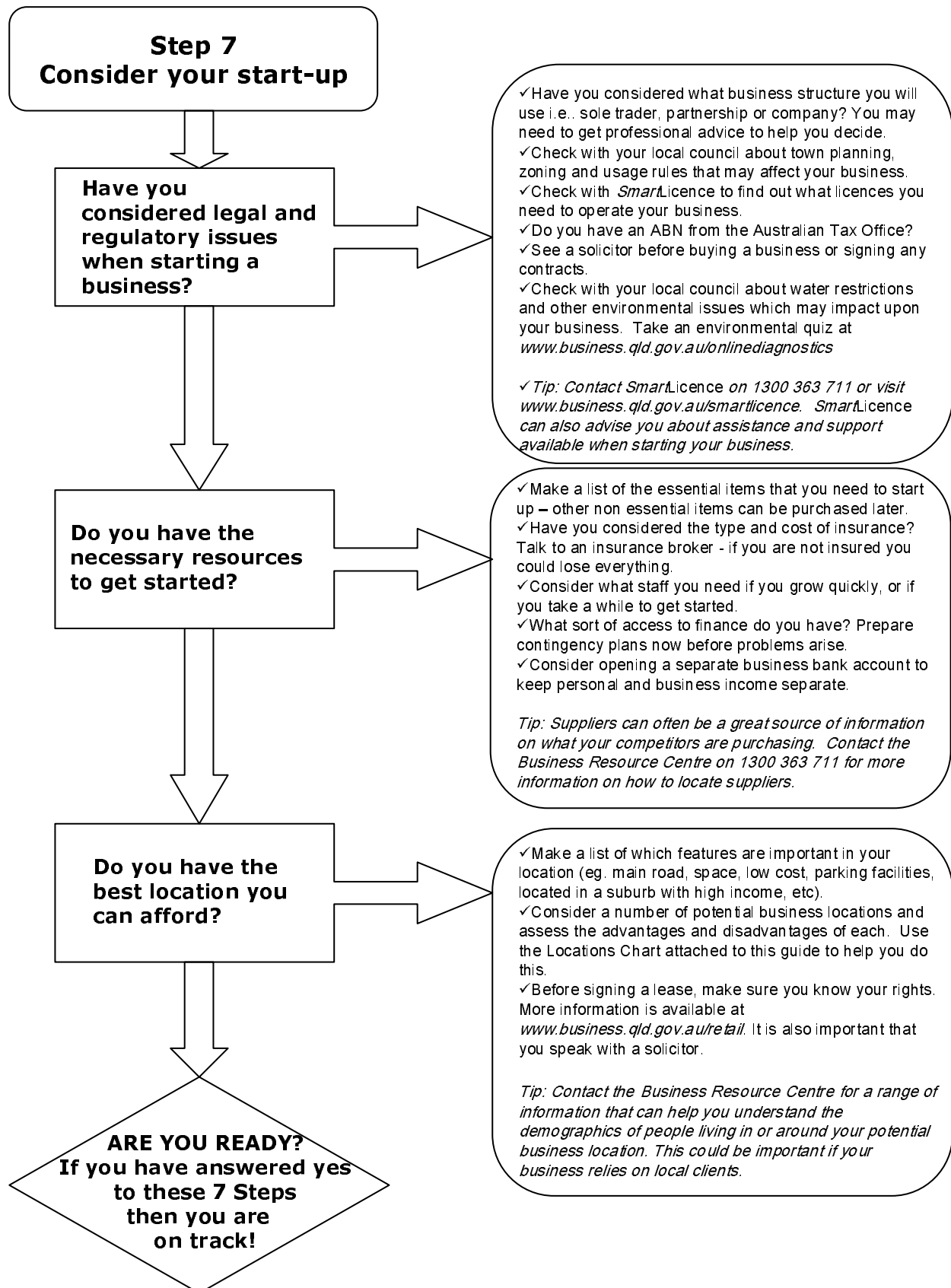
7 Steps to Business Success



7 Steps to Business Success



7 Steps to Business Success



Attachment 1: Small Business Skills List

Which of these skills are important in your business and which do you have?

Financial Skills

- | | |
|--|--|
| <input type="checkbox"/> Profit Planning & Budgeting | <input type="checkbox"/> Financial Forecasting |
| <input type="checkbox"/> Bookkeeping | <input type="checkbox"/> Credit Management |
| <input type="checkbox"/> Purchasing | <input type="checkbox"/> Cash flow Management |
| <input type="checkbox"/> Costing and Pricing | <input type="checkbox"/> Cost Analysis and Control |
| <input type="checkbox"/> Payroll | <input type="checkbox"/> Tax Planning |

Marketing Skills

- | | |
|--|--|
| <input type="checkbox"/> Written and Presentation Skills | <input type="checkbox"/> Competitor Analysis |
| <input type="checkbox"/> Selling | <input type="checkbox"/> Product Development |
| <input type="checkbox"/> Customer Analysis | <input type="checkbox"/> Merchandising |
| <input type="checkbox"/> Promotion | <input type="checkbox"/> Market Research |
| <input type="checkbox"/> Graphic Design | <input type="checkbox"/> Product Testing |
| <input type="checkbox"/> Negotiation | <input type="checkbox"/> Advertising |

Management Skills

- | | |
|---|--|
| <input type="checkbox"/> Co-ordination and Planning | <input type="checkbox"/> Training and Teaching |
| <input type="checkbox"/> Communication | <input type="checkbox"/> Problem Solving |
| <input type="checkbox"/> Delegation | <input type="checkbox"/> Stock Control |
| <input type="checkbox"/> Interpersonal | <input type="checkbox"/> Decision Making |
| <input type="checkbox"/> Recruitment | <input type="checkbox"/> Leadership |
| <input type="checkbox"/> Supervision | <input type="checkbox"/> Time Management |

Attachment 2: Customer Profile Chart

<u>Who are they?</u>		
	Applies? Yes/No	My Customers...
Age: child, teenager, young or middle aged, retired		
Family: size, small medium large, non traditional, extended		
Gender: male female		
Occupation: labourer, technical, professional.		
Income level : lower, middle, high		
Education: primary, secondary, tertiary.		
Cultural background: caucasian, african, asian		
<u>Where are they?</u>		
Location: inner city, suburban, rural, which suburbs		
Distance: distance from your business, locality preference		
Residence: low, medium, or high density housing		
<u>Customer Characteristics</u>		
Personality: leader, status conscious, outgoing, introvert.		
Buying behaviour comfort, convenience, economical, pride.		
Buying patterns seasonal, usage rate, frequency of purchase.		
Lifestyle health conscious, family oriented, career oriented, community active.		
Expectations service, quality, risk, influence.		

Attachment 3: Marketing Actions Worksheet

Client Characteristics	Market Segments	Marketing Strategy	Predicted Effectiveness	Potential Cost
<p>Example: Gym Males & females, health conscious, mid-high income, all ages, inner city locations</p>	<ul style="list-style-type: none"> •Corporate females interested in stress management •Young males interested in body building 	<ul style="list-style-type: none"> •Brochures distributed in mainly female workplaces with specials for Pilates classes. •Advertisement with body building photo in local sports news paper 	<ul style="list-style-type: none"> •200 brochures distributed with 2% conversion rate equals 4 new clients •Readership of 2000 with conversion rate of 1.5% (30 clients) 	<ul style="list-style-type: none"> •\$50 •\$250

Attachment 4: Competitor Profile

Answer the following questions for each of your competitors.	
Name:	
What is their location?	
How would you rank their location? Why? i.e. exposure, traffic flow, access, parking, other businesses	
How many customers do they have in a particular time period? (i.e. you could watch the store/office)	
How many employees do they have?	
How effective are their employees at doing their job?	
What is their pricing policy?	
Which customers are they targeting?	
How do they advertise/market themselves?	
What is their competitive advantage?	

Attachment 5: Financial Figures Worksheet

Income

How much income do you desire _____?

Are you prepared to earn less income in the 1st – 3rd years _____?

What minimum income do you require? _____

What financial investment will be required for your business? _____

How much could you earn by investing this money (A)? _____

How much could you earn by working for someone else (B)? _____

Add the amounts in A and B. If the income is greater than what you can realistically expect from your business, are you prepared to forego this additional income to be your own boss with the prospects of more substantial profit/income in future years?

How to Estimate Sales

1. Try approaching your relevant Industry or Association data to obtain benchmarking data or organisations or use the benchmarking data provided in the Plan *SMART* Kit (if available).
2. Market Potential/Market Share. Find out the turnover for your industry. How many competing businesses are there. Divide the turnover by the number of businesses to work out the market share for each business. This is the sort of turnover you should be aiming for.
3. Observe your competitors, how many customers do they have, how much do they spend. Observe at different times of the day and week. What do you think their daily or weekly turnover would be?

Attachment 6: Pricing Worksheet A

Step 1: What are your competitors charging?					
	Competitor A	Competitor B	Competitor C	Competitor D	Average
Product/Service 1					
Product/Service 2					
Product/Service 3					
Product/Service 4					

Step 2: What is your strategy?				
<input type="checkbox"/> Elasticity Pricing: When demand for a product is sensitive to the price. Eg. grocery items. ✓The higher the price the lower your demand. ✓You may need to experiment to find the best pricing level.	<input type="checkbox"/> Skimming pricing: For new products where initial price is set high to attract people who most want it and who are willing to pay eg. technology. ✓Reduce the price when demand falls to appeal to price sensitive buyers.	<input type="checkbox"/> Penetration Pricing: aims for high sales through a lower price. For products/services that would not attract an initial elite market. Low profit margin. ✓Make sure you can sell high volume to make your profit	<input type="checkbox"/> Image Pricing: The perceived image of the product outweighs the actual price, such as luxury goods. ✓Investment in marketing is important to communicate luxury	<input type="checkbox"/> Discount Pricing: This method is aimed at the budget end of the market where consumers are willing to forgo some quality or service for a lower price. ✓Discounting is a difficult strategy to maintain good profit levels

Step 3: A few methods to help work out your prices			
Use a simple "mark-up" method	<i>How?</i> Take the cost price and add a certain proportion to all the items eg. 50%. Talk to your suppliers, competitors or associations to find an industry "norm".	<i>When?</i> Useful when you have multiple products at different price points and the costing method is too complex	<i>Remember</i> to adjust the mark-up depending on your strategy. For example, if you are using penetration pricing you would use a lower mark-up than competitors.
Use a costing method	<i>How?</i> Calculate all your fixed overheads. Add this to the cost of sales (the variable cost to sell each product)	<i>When?</i> This is the best method to use to make sure you are maximising your profit, although it can be a more time-consuming and labour intensive method	<i>Remember</i> To use a costing method you really need to have excellent record-keeping so you know all your costs
Use a charge per hour method	<i>How?</i> Refer to the next table for a step by step guide.	<i>When?</i> When you are delivering a service rather than a product	<i>Remember</i> It is easy to over-estimate the number of hours and days you have available to work. Take into account all your leave.

Attachment 7: Pricing Worksheet B

4. How to calculate a charge per hour for Services			
1. Calculate maximum Number of hours available	A Number of Hours Per Week (eg 38)	B Number of weeks per year (eg 52)	AxB Number of hours per year (eg 38x52 = 1976)
2. Deduct time off	C Public Holidays & Annual leave (eg 30daysx8hrs=240hrs)	D Sick Leave and Misc (eg 40days x 8hrs = 320hrs)	(AxB) – C – D Total chargeable hours (eg. 1976hrs – 240hrs – 320hrs = 1416 hrs)
3. Calculate total turnover required per year	E Estimated Overheads per year eg. \$32,000 (calculate this using your financial figures worksheet)	F What profit would you like to earn per year? Eg \$35,000	E+F Total turnover needed per year (eg. \$32,000+\$35,000 = \$67,000 turnover)
4. Calculate charge per hour		H Total Chargeable Hours (eg. 1416)	(E+F)/H Total turnover divided by total chargeable hours (eg. \$67,000/1416 = \$47.31 per hour)

Attachment 8: Locations Chart

	Location 1	Location 2	Location 3	Location 4
What is the passing traffic like?				
Is it near an intersection? Does it prevent access?				
Is there ample parking?				
What fittings are included and what quality are they?				
What is the general appearance of the building?				
How much space is there? Is there adequate space?				
Are you located near your clients?				
What is the cost?				

Attachment 9: Water Restrictions

This checklist is designed as a resource to use when preparing your business for natural disaster. You will need to customise this list to include the local community information relevant to the location of your business.

The checklist below will assist you to identify specific areas of your business that will require preparation and planning. Have you.....	Yes	No	Actions	Due by or Review at
Installed water efficient appliances/fittings?				
Regularly maintained your equipment?				
Determined if your business is located within 'Recycled water access Area'? <i>(additional conditions apply)</i>				
Developed a contingency plan to access water from another source, if necessary?				
Identified alternative services more suitable to the current environment, if necessary?				
Established a baseline for water usage?				
Checked with your local water authority for any restrictions, guidelines, compliance requirements?				
Regularly maintained your water consumption sources e.g. installed water efficient nozzles on taps, checked for leaks?				
Introduced water efficient procedures for your business operations and staff?				
Set action strategies?				
Monitor and reviewed performance, position and outlook?				
Checked your contractual arrangements with the landlord or building owner in the event of inability to operate business or to implement infrastructure renovations?				
Checked whether there is adequate insurance to cover?				
Identified which water-affected areas are not covered by current insurance policies?				
Checked your insurance cover for coverage on new contents and building renovations?				
Reduced your water consumption by 25%?				
Identified alternative water sources?				
Disaster Resilience Plan: Checked with your local council and become familiar with the current water restrictions and requirements?				
Developed a contingency plan for the continuation of business?				
Checked the emergency contact numbers have been updated and are current?				
Checked and regularly maintained your water efficiency action plan?				

The checklist below will assist you to identify specific areas of your business that will require preparation and planning. Have you.....	Yes	No	Actions	Due by or Review at
Developed recovery strategies?				
Completed your Water Efficiency Plan (WEMP)?				
Updated your Water Efficiency Management Plan (WEMP to comply with current level of water restrictions?				

Component	Description																		
<i>General Data</i>	<ul style="list-style-type: none"> •General information about the business (e.g. business name, contact details etc.) •General description of the range of water uses within the business •Overall water consumption for the years July 2004 – June 2005 and July 2005 – June 2006 (<i>also back to July 2000 if available</i>) •Current source of water supply 																		
<i>Management Review</i>	It is recommended that a business or non-residential water user undertake a review of their organisational behaviour for a WEMP Part 4. this includes assessing staff and management's attitudes and behaviour towards water use and identifying ways in which water use can be reduced.																		
<i>Audit</i>	<p>The audit requirements for each part of the WEMP are provided in Table A2.1: End-Use Audit Requirements below.</p> <table border="1"> <thead> <tr> <th>WEMP Part</th> <th>Title</th> <th>End-Use Audit Requirements</th> </tr> </thead> <tbody> <tr> <td>1A</td> <td>Taps and Showers</td> <td> <ul style="list-style-type: none"> •All taps •All showers </td> </tr> <tr> <td>1B</td> <td>Toilets and Urinals</td> <td> <ul style="list-style-type: none"> •All toilets •All urinals </td> </tr> <tr> <td>2</td> <td>Evaporative Cooling Systems</td> <td>•All non-process evaporative cooling systems</td> </tr> <tr> <td>3</td> <td>Outdoor Water Use</td> <td>•All water used for business-specific processes (e.g. nurseries, car washing etc.)</td> </tr> <tr> <td>4</td> <td>Process and Other Water Uses</td> <td>•All water end-uses within a business, including manufacturing/industrial processes not included above.</td> </tr> </tbody> </table>	WEMP Part	Title	End-Use Audit Requirements	1A	Taps and Showers	<ul style="list-style-type: none"> •All taps •All showers 	1B	Toilets and Urinals	<ul style="list-style-type: none"> •All toilets •All urinals 	2	Evaporative Cooling Systems	•All non-process evaporative cooling systems	3	Outdoor Water Use	•All water used for business-specific processes (e.g. nurseries, car washing etc.)	4	Process and Other Water Uses	•All water end-uses within a business, including manufacturing/industrial processes not included above.
WEMP Part	Title	End-Use Audit Requirements																	
1A	Taps and Showers	<ul style="list-style-type: none"> •All taps •All showers 																	
1B	Toilets and Urinals	<ul style="list-style-type: none"> •All toilets •All urinals 																	
2	Evaporative Cooling Systems	•All non-process evaporative cooling systems																	
3	Outdoor Water Use	•All water used for business-specific processes (e.g. nurseries, car washing etc.)																	
4	Process and Other Water Uses	•All water end-uses within a business, including manufacturing/industrial processes not included above.																	
<i>Performance Review</i>	Once all relevant water use has been determined and recorded, it is necessary to assess the performance of these end-uses against the WEMP requirements.																		
<i>Opportunity Assessment</i>	If any water-using equipment, devices, fittings or practices are found to be outside the requirements of the WEMP, the actions needed to meet the requirements have been determined. This could include a change in staff behaviour or the replacement of existing fixtures or devices.																		
<i>Action Plan</i>	Develop a plan that outlines which devices, fixtures or practices will be acted on in order for the business to meet WEMP requirements. Actions and dates must be provided in the Action Plan, which may be subject to review from the local Water Service Provider (WSP) to ensure compliance.																		
<i>WEMP Parts</i>	<p>These parts provide data on current water use, water-saving opportunities and the proposed actions and savings for each identified measure. These parts are classified as follows:</p> <p>1A WEMP Part 1A: Taps and Showers 1B WEMP Part 1B: Toilets and Urinals 1. WEMP Part 2: Evaporative Cooling Systems 2. WEMP Part 3: Outdoor water Use 3. WEMP Part 4: Process and Other Water Use</p> <p>These are to be submitted on the basis of individual WEMP requirements.</p>																		

SOURCE: *Water Efficiency Management Plan (WEMP): Guideline A – Business & other Non-Residential Guidelines, Edition 1 - November 2006. Queensland Water Commission*

Further information about specific disaster events:

Department of Tourism, Regional Development and Industry : Business Information Service
www.business.qld.gov.au

Queensland's Disaster Management Services
www.disaster.qld.gov.au

Bureau of Meteorology
www.bom.gov.au

Queensland Water Commission
www.qwc.qld.gov.au
Phone: 1300 789 906

Queensland Department of Primary Industries and Fisheries
www.dpi.qld.gov.au

Brisbane City Council
'Watersense: Business Efficiency Program' fact sheets
www.brisbane.qld.gov.au

Your Local Contacts:

Who?	Contact details	Who?	Contact details
Local Council		Business Hotline	1300 363 711
Police		Qld Water Commission	
Fire		Bureau of Meteorology	
State Emergency Service		Other	