



Illustration by Danya Vassanth

How to start a business

Have you dreamed of starting your own business? Learn the key steps involved in ideating, researching and scaling your business.

How to Start a Business

Problem vs Solution

People decide to start a business for all sorts of reasons. For some, it is something they have dreamed of since an early age. For others, it is a need to offer a new product or to transform a hobby into a professional service.

Regardless of your reasons, it is important to be aware of what being a business owner means and the steps you need to take to launch and grow a company.

The first step to consider is the problem or opportunity you are addressing and the solution you will bring to the market. Can you clearly identify them and map an initial strategy to tackle a specific market need?

Market research

After you have identified a gap in the market, you need to be sure if there is a market in this gap to develop a business by undertaking market research. Start with secondary research. Look at trend reports, market statistics, industry content and sales data such as [Intel](#), [Euromonitor](#), [Business of Fashion](#), [WGSN](#), [WWD](#), [Drapers](#) and [Vogue Business](#) to assess the size of the market, how much it is worth and the current trends and competitors.

These findings will help prepare your primary research, which can be a survey, focus groups or interviews with potential customers. Before inviting people to participate you need to have a target consumer in mind. Build a profile based on age, gender, location, income, lifestyle, and aspirations. Aim at finding people as close as possible to this profile.

In parallel, do your competitor analysis. List between 5-10 main competitors and create a spreadsheet, highlighting what they do best and where they leave gaps that you can use to better serve your target audience. With these results in hand, you will have key information to choose your market positioning and business model.

Business Model

Business Modelling is a company's plan for making a profit. It identifies the products or services the business plans to sell, the target market and income sources. It works like a compass, directing your actions.

Examples of business models

- **Direct to consumer:** Glossier, Everlane, Casper,
- **Market place:** eBay, Etsy, Airbnb



- **Subscription:** Netflix, Hello Fresh, Glossybox
- **Franchise:** McDonald's, Holland & Barrett, Starbucks
- **Open source:** Linux, Android, Mozilla

A good business model answers the following questions:

- Who is the customer?
- What does the customer value?
- How do we make money in this business?
- How can we deliver value to customers at an appropriate cost?

Watch [these videos](#) on how to transform a business idea into a business model.

Once you have chosen your business model, think about how you are going to register your business. If you are a freelancer or consultant working alone, Sole Trader status is the best option to start and the cheapest way of trading. On the other hand, as a Limited Company your personal finances are separate from the business, meaning your personal assets are protected. It also gives you more credibility with suppliers and manufacturers.

Finances

Planning your finances is essential to guarantee the business can grow and make a profit. The first step is to calculate how much do you need to launch a brand and where can you get funding. Besides those numbers, there are 3 key tools to help you analyse your business and manage your money:

- **Operating Budget:** the plan for your trading operations. It incorporates sales and expenses and is usually set out as a spreadsheet on a yearly month-by-month basis.
- **Breakeven analysis:** the point where sales equal total costs to an even amount. There is no profit made, but also no debt.
- **Cash flow Forecast:** like the Operating Budget, it shows budget for at least 12 months ahead, with columns for forecast and actual figures against each month.

Managing these areas helps you to stop from running out of cash and shows you how to use finances efficiently. For more information, please check the 'How to manage basic business finance' guide.

Branding and Value Creation

A branding strategy allows you to plan how people perceive and experience your brand. Moreover, how to ensure that it stays



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consistent across all touch points. A strong brand has focus and purpose. It creates positive, lasting impressions through its actions. Knowing what you stand for, your 'why' is as important as your product. It is a key success factor in becoming distinctive and unique.

More than ever, businesses need to be original, genuine, and authentic. Consumers are looking for experiences that engage them in a personal way. When creating your branding assets, aim at developing a combination of tangible and intangible elements that will bring your brand identity to life.

Watch this video on [Value Proposition](#) and [this one](#) where Alexa Chung explains the vision behind her brand.

Marketing

Marketing is about identifying, anticipating, and satisfying your customer needs. A marketing strategy outlines how to provide the best possible experience for them. A good way to start is to answer the questions below and map your strategy:

- How will you get your product or service to the market?
- What physical and digital channels will you use?
- What is the strategy to acquire clients?
- How will you keep consumers interested and engaged in your brand?
- What is the brand message and how will you communicate it through different channels?

Sales, Costing and Manufacturing

After you have finished working on your market positioning, you will have a clear idea about your sales channels and pricing structure. Depending on your business, you can choose to sell online at trade shows, to wholesalers, or direct to consumers, for example. Each channel will demand a specific structure and strategy to reach your goals.

Regardless of your channels, make sure the price and sales levels allow your business to be profitable. When pricing your work, knowing the difference between margin and mark-up is essential:

- Margin (also known as gross margin) is sales minus the cost of goods sold
- Mark-up is the amount by which the cost of a product is increased to derive the selling price.

Finally, if you are going to be a product-driven brand, deciding where to manufacture will have a direct impact on your price. Consider costs, quality of craftsmanship, the volume of orders, lead times for delivery, and environmental and social impacts, as consumers are demanding more transparency from brands. Now that you have read this guide, download the Graduate Futures Ideation Canvas, and start working on your business idea.