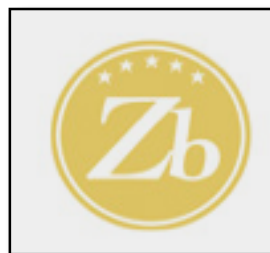




A Brief Guide to Starting a Home Based Business

By

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Chapter One

Turning That Business Idea into a Reality

With over 40% of businesses, on both sides of the Atlantic, either giving up or failing in their first year, going into business, on your own, is not for the faint hearted. Let us discuss what starting your own business means. This report is not about dissuading you from being your own boss, but showing what qualities and dedication are needed from you to become a success.

Whether you set out to become wealthy, earn a good living, or provide a service that helps disadvantaged people. Becoming your own boss is a tough and rewarding decision if you plan it right from the word go and don't skip any of the stages.

I have been my own boss since the age of eighteen and I have owned a range of different business's, and although there have been many hair raising moments along the way I have to admit that I wouldn't change the experience.

So you want to start a business, preferably **Home Based**? You have always dreamt of starting your own business, but you don't know where to begin.

If you've always yearned of being your own Boss, then you have just completed the first step. The mere fact that you have that all empowering urge to start your own business and have control over your own destiny, is what will, (if you allow it) drive you forward.

Now lets be serious and consider what it takes to be your own man or woman. Read through the following questions and give honest answers. It's your future you are considering. Think carefully about your willingness to take on the responsibility of such an undertaking.

Now Ask Yourself:

1. Do you think you are ready to begin a business?

Where does your idea to begin your own business come from? Do you look at successful businesses around you and think I can do that, or have you always had the dormant idea seeding in your subconscious mind.

It's time to be realistic and come down to earth. Most business, begin with a thought or an idea. Like a disease it gets hold of your entire being, and grows and grows until you become overwhelmed either with excitement, or trepidation.

The more you think about it the more excited you become until you take action. It's like sowing a seed inside your mind. Doubt is a word you cannot entertain, because it will destroy your purpose.

You have to be confident that you can take on the responsibility of running a business, no matter how small they are, they still require commitment and dedication.

Self-discipline is very important. Being in business for yourself means you carry the whole load.

2. Have you had experience of a business similar to the one are planning to start?

Sometimes already having business experience is not a good thing. Because bad habits that you picked up from a previous business will transfer to your new one. Better to recognize these and get rid of them before they cause your new enterprise to fail before it gets rolling.

Any experience you have from a previous business, whether positive, or negative, if used sensibly, can help towards making your new enterprise a success. Having the knowledge, of not what to do, in your new business is valuable in the sense, that hopefully you will not be making the same mistakes again.

All knowledge gained from any previous experience (whether good or bad) about the initial construction of a small business is a good thing. It can be used in a sensible way towards making your new venture a success and also help to make your job easier in the initial stages.

But remember that this business you are planning has not got to be the same, or a blueprint of your previous one, but unique in itself and able to stand alone.

It doesn't matter if you haven't the experience from a previous business. Your success is not dependent on this. If you begin with a clean slate you can keep it clean. Success depends on so many things, but mostly about you, your attitude, and determination to succeed.

3. Do your family and friends support your business venture?

If you are married, or have a partner, do they agree with you starting a business? What do the members of your family think about you becoming self-employed? Do they and you realize just how much your life will change by spending more of your valuable time running your own business?

Is your family prepared to support your commitment to begin a business that may risk their financial security?

Are they also prepared to have you spend less time with them and do they realize that the spare cash that was always available, to spend on luxuries, might be gobbled up by your business.

Ask yourself, if I run the business from home:

What will the business demand from the amount of space I have available at home? It's a proven fact, that a shortage of space can cause friction amongst family members.

How will the business infringe on my, families personal space at home? The invasion of someone's personal space can cause resentment.

Can I develop a management plan to use our household space so that it accommodates my family and my business without causing a major upset?

Good planning is what a business needs for success, and planning efficient use of your space at home will give you the experience to begin to organize your business.

Have you any experience, or taken a business course on how to manage a small business? All business experience, at whatever level of expertise, will always help towards you seeing problems in your business before they develop.

Have you discussed your business idea, business plan, or proposed business with a business advisor or counselor, and received any advice? Good professional advice is a valuable asset in starting your enterprise. Avoiding and being aware of the pitfalls of a startup business is priceless.

Do you have a family member or relative who owns a successful business, who you can ask advice? Again having someone experienced to turn to for free advice is a huge bonus.

Questions about your Personal Suitability to run a business:

1. Have you the confidence to be a leader and self-starter and do you understand how this will impact on you? Remember leaders are the one's leading the way and if you own a small business it will either be successful or not depending on the decisions you alone will make.
2. Do you know if other people would consider you a leader? If you employed other people would they take orders from you and accept that you are the boss. Respect as a leader is hard to achieve, but a valuable asset in a business
3. Would you invest a significant portion of your savings or raise money on your assets to get your business started? Risking your personal assets has to be seen by other people (the banks, partners) as confirmation of your willingness and confidence in your own ability.
4. Do you have enough confidence in yourself and in your abilities to sustain yourself in business, if or when things get tough? Again talking about running a business is totally different from actually being faced with everyday decisions that all small business owners have to contend with.

5. Deep in your heart, are you comfortable with making your own decisions? Have ever had to decide that a particular job, or project is urgent and you are the one that could cause it to fail simply by making the wrong choice?
6. Are you prepared, if needed, to temporarily lower your standard of living until your business is firmly established? Most business owners at some stage in their growth have risked their financial future by using their assets as collateral for their business.
7. Do others around you ask for your help in making decisions? Are you some kind of agony aunt or uncle on every subject under the sun? If you are then this would be ideal for helping you become your own boss.
8. Are you willing to commit long hours to make your business work? Nothing worthwhile is usually gained without some kind of sacrifice and building your own business will certainly test you on this.
9. Would others consider you a team player? I know every team has to have leader, but a team member has different responsibilities to the captain. If you employ other people in your business then you would delegate responsibility to someone else and expect the job to get done.

Now let us discuss the all-important questions about the planning of your business.

Have you a business plan for the business you are planning to start? A business plan is not just a thought in your head, or a few words scribbled on a piece of paper. It's a solid plan of action written and presented in a logical way, which takes you step by step from the inception of your business to it becoming up and running.

Do you know and understand the components of a business plan?

If you don't, then go out and do some research. Ask your local government business agency for advice, ask your bank, use the Internet, ask any of your friends who are in business for their help. There is plenty of information and help out there, don't rush your business plan. Treat it as though you were studying to take an examination and learn along the way.

Do remember a business plan for your business will be different from anyone else's. So don't copy word-for-word from someone else, in a similar business to you, be your own master and begin as you mean to go on.

A plan should be understandable and concise and give a good idea of its main contents even after browsing the main points. Format: headings, plenty of white space, and illustrations including summarizing. Main points should be bulleted to show up in a business plan as they do in a business presentation. The right length for a plan will depend on its nature and purpose.

Avoid being overly optimistic, and be reasonable in predicting capital requirements, deadlines, sales, and profitability. Very few business plans anticipate how much money and time will be eventually required.

Every major bank and government business agency has some form of printed, or online business form you can use to get an idea of what information is required for starting your enterprise.

**Now let's look at the different types of Business from the viewpoint of
who is starting out on their own.**

Chapter Two

The eBusiness/Business Partnership

A business partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor, or skill, and expects to share in the profits and losses of the firm.

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. However one thing a partnership needs is an openness and trust between the partners. Without this in place the partnership is doomed to failure.

It is important that all of the Partners should have a written legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved. As to future partners and how they will be admitted to the partnership, and how partners can be bought out, or what steps will be taken to dissolve the partnership when needed.

Maybe it's hard to think about dissolving a business when it is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

A partnership is like a ship setting out to sail around the world, where it will face all sorts of danger and rough weather. It will need the trust and team spirit, of all concerned for it to arrive safely at its destination.

Advantages of a Partnership

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax returns.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills.

Disadvantages of a Partnership

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

Do you know why business planning is the most important factor determining business success?

If you are already familiar with business planning then you will already realize the importance of having a continuous evolving plan for your business. If not then we will discuss the benefits to you and your business of having such a plan in motion.

1. A good business plan regularly updated will give you a reality check on the performance of your business. Seeing figures in black and white can stir you into taking action by reminding you what you had originally planned.
2. Good planning will take in the concept of continual research into making your business more profitable and more efficient. A continually updated business plan is like focusing on the different programs on a television screen, which are continually changing. So eventually you get a better idea of what is actually happening inside the structure of your business.
3. With a business plan you have to learn and become proficient in the many different aspects of the structure of your business. By the nature of your involvement in your business plan if you ever need expert advice on any part of your business then you will already be familiar with its workings.
4. Many people who run a business do not like focusing on many of the parts that go to make a business plan a success. This is a false way of having the finger on the pulse of your business. By being involved and familiar in the planning of your business you literally have to take part.
5. The contacts and the people you meet while writing and researching your business plan will give you untold opportunities later as contacts to help expand your business. Every contact can be a potential customer.

Do you know where to find the information about your intended customers or target market?

1. It's probably the most difficult part of your business, trying to figure out where your customers are going to come from, but it is one of the most important. That's why the supermarkets like Walmart and Tesco always do market research about an area before they even contemplate building a superstore there.
2. Unlike most large companies who employ market research companies you may not be able to afford their costly investment. However all successful businesses need to have a close understanding of potential and existing customers and the marketplace they work in.
3. This understanding allows you to target customers, sell effectively, and compete with other suppliers and spot new opportunities. Performing market research on potential customers and your competitors will help you to gain this vital knowledge.
4. You can build a picture of general trends using **published market information** - from free government statistics and data to paid-for market reports from commercial providers. Your own contacts and sales records, if you have any, can also be a great resource.
5. You can add to your knowledge by using **field research** - from surveys and discussions to product tests - to investigate customers' attitudes and examine questions specific to your business.

Tips for successful field research

The way that you conduct your field research will have a significant impact on the quality of the results. Below are the key points to remember when conducting your research and interpreting your results.

Ask the right questions

Badly phrased questions produce misleading results. Avoid questions, which encourage the answer "yes" or "no". A stationery shop that asks customers if they intend to buy pens in the next year will find out just that - but they won't discover what type of pens, e.g. specially engraved pens or cheap biros.

Talk to the right people

A survey at a railway station, for example, will get answers from commuters, but if you're targeting people who stay at home with young children, this won't be representative of your market.

You must talk to enough people

A survey, for example, of two people won't get you enough information. Some market research professionals suggest asking at least 150 people in order to get a complete picture.

Keep your research impartial

It's easy to encourage people to give the answer you want. For example: by asking leading questions, or smiling at the 'right' answer. Discussions, where you're not working from a list of set questions, are particularly easy to distort. And in a focus group, individuals with strong opinions may influence the views of others.

Interpret results with care

You need to make sure you draw the right conclusions from your research. Bear in mind that people may distort answers in the hope of affecting what you do. For example, they might say they would be interested in a product "if

The price was lower". Qualitative research - where you're investigating feelings and attitudes - can be particularly difficult to interpret.

Be realistic

It can be tempting to pick out results that confirm what you want to hear, and ignore the rest. But ignoring negative results could damage your business. Be prepared to modify your plans if necessary.

If you don't have the time or skills to carry out research yourself, consider using a market research agency.



Do you know whom you intend selling too?

First you have to think about your intended customers, whether they are a large corporation or stay at home mums. What demographic area do you intend to cover? What type of customers, do you think, will buy your product or service; i.e. age group, profession, income, area, male or female, lifestyle,

You have to cover all these points before you can even think about researching where your chosen market will eventually come from.

Okay so you have decided who you think will be the best market to target and the demographic area they live in.

How do you reach them?

Place yourself in their shoes, where would they shop, what would they read, are they online, have they a website, mobile phone, magazines, local press, charity work,

A newer twist is cohort marketing, which studies groups of people who underwent the same experiences during their formative years. This leads them to form a bond and behave differently from people in different cohorts, even when they're similar in age.

For instance, people who were young adults in the 60s have been shown to behave differently from people who came of age during the 70s, even though they're close in age.

Do you know how to build a spreadsheet for the start-up costs for your business?

To begin don't go overboard on your Start-Up Costs:

When calculating your initial start-up costs, bear in mind that you will most likely need a few months of funding to cover expenses before you even open for business. And remember that it will take a significant amount of time until the business is self-funding so plan for this in your startup cost plan.

If you approach banks and other lenders for money, try to include a substantial reserve for running operations so that you will have enough money to set up an office, take orders, hire employees, and cover other related costs. No one gets it right first time so be reasonable with your revenue assumptions in the early stages and conservative with cost projections. As an added precaution it's also possible to structure a small-business loan to defer payments during the initial operating period.

Expenses for a business startup are found in six broad categories:

- (a) Cost of sales: inventory, equipment, shipping, warehousing, etc
- (b) Professional fees: lawyers, trademarks, copyrights, drafting agreements, etc
- (c) Technology costs: computer hardware and software, peripherals such as printers and scanners, phones, website development, Internet access, etc
- (d) Administrative costs: insurance, supplies, permits, packaging, utilities, etc
- (e) Sales and marketing costs: stationary, marketing materials, advertising, PR, trade-shows, etc
- (f) Wages and benefits: salaries, taxes, health insurance, workers comp, etc

Do you know how to compute the financial, break-even point, for your business?

Cash inputs and cash outputs

Ideally, during the business cycle, you will have more money flowing in than flowing out. This will allow you to build up **cash balances** with which to plug cash-flow gaps, seek expansion, and reassure lenders and investors about the health of your business.

You should note that income and expenditure cash flow rarely occur together, with inputs often lagging behind. Your aim must be to speed up the inputs and slow down the outputs.

Cash inputs

- Payment for goods or services from your customers.
- Receipt of a bank loan.
- Interest on savings and investments.
- Shareholder investments.
- Increased bank overdrafts or loans.

Cash outputs

- Purchase of stock, raw materials, or tools.
- Wages, rents, and daily operating expenses.
- Purchase of fixed assets - PCs, machinery, office furniture, etc.
- Loan repayments.
- Dividend payments.
- Income tax, corporation tax, VAT, and other taxes.
- Reduced overdraft facilities.

Many expenses, such as salaries, loan repayments and tax, have to be made on fixed dates. You must always be in a position to meet these payments in order to avoid large fines or a disgruntled workforce.

Chapter Three

Money

Getting the best loan deal

Do you know about the various loan programs that are available from banks in your area?

- **Take time to shop around** and compare interest rates carefully, as they can vary significantly. Negotiate with the bank manager to get the best deal and ask for any special terms in writing. .
- **Use a finance broker** to propose the best deals for the type of finance your business needs. A broker can save you time and increase your chances of getting a loan by presenting your proposal in the best way to the most appropriate lenders.
- **Research the small print.** Apart from interest rates, assess other lending criteria, such as loan terms and set-up fees. Investigate any special deals there may be for start-ups. Consider having an expert, such as a solicitor, review the loan documents.
- **Be well informed about your own finances.** Find out about the factors that affect your credit rating and have a clear picture of your business finances. This will help you avoid expensive loans and make sure you get a deal that meets your needs.
- **Be prepared to switch providers.** You don't have to stay with the bank that manages your personal account to be considered for a loan. It's wise to compare loans from at least four providers.

Do you understand how a business loan can impact your credit?

If you're looking to start or expand a business and need resources, you might consider a small business loan. **Small business loans** can be used for a variety of business purposes, which may include acquiring real estate, renovations, equipment, and start-up capital.

There are different types of small business loans, and each serves a distinct purpose. Before approving a request for a small business loan, lenders look at basic factors such as the applicant's collateral, working capital, experience, and their ability to repay. A major factor that plays a role in a small business loan approval is credit.

Many entrepreneurs worry that a small business loan will have a negative impact on their credit score. Fortunately, there are simple ways to protect your personal credit score. The key is making a distinction between yourself and the small business.

If you're starting a new business, the lender will likely examine your personal credit, in which a small business loan may lower your credit score. On the other hand, if you're requesting a loan for an existing business, the lender may qualify you based on the business credit. For this reason, it is imperative to assign your business its own identity.

You will need to contact the Tax authorities a separate Tax ID Number for your business. Additionally, choose a separate business name, open a separate bank account, and file your business under a separate address. These steps will help build your business credit, which allows you to obtain credit in your business name.

Do you know how to prepare and/or interpret a balance sheet, income statement, and cash flow statement?

Introduction

Your balance sheet is a financial statement at a given point in time. It provides a snapshot summary of what your business owns or is owed - assets - and what it owes - liabilities - at a particular date.

The balance sheet therefore shows how your business is being funded and how you are using these funds.

There are three ways you may use your balance sheet:

- For reporting purposes as part of a limited company's annual accounts
- To help you and other interested parties such as investors, creditors or shareholders to assess the worth of your business at a given moment
- As a tool to help you analyze and improve the management of your business

This guide explains who needs to produce balance sheets and when, the different elements within them and how to use the information from a balance sheet to assess and manage business performance.

Contents of the balance sheet

A balance sheet shows:

- Fixed assets - long-term possessions
- Current assets - short-term possessions
- Current liabilities - what the business owes and must repay in the short term
- Long-term liabilities - including owner's or shareholders' capital

The balance sheet is so-called because there is a debit entry and a credit entry for everything (but one entry may be to the profit and loss account), so the total value of the assets is always the same value as the total of the liabilities.

Fixed assets include:

- **Tangible** assets - e.g. buildings, land, machinery, computers, fixtures and fittings - shown at their depreciated or resale value where appropriate
- **Intangible** assets - e.g. goodwill, intellectual property rights (such as patents, trade marks and website domain names) and long-term investments

Current assets:

Are short-term assets whose value can fluctuate from day to day and can include:

- All stock and equipment.
- All work in progress.
- All money owed by customers to your business.
- All cash in hand, or at the bank.
- All short-term investments.
- All pre-payments - e.g. advance rents that have already been paid.

Current liabilities include amounts owing within one tax year.

These include:

- All money owed by you, or your business to suppliers.
- All short-term loans, overdrafts, finance, or otherwise.
- All taxes due within the financial year.

Long-term liabilities include:

- All creditors due after one year - the amounts due to be repaid in loans or financing after one year, e. g bank or directors' loans, finance agreements.
- All capital and reserves - share capital and retained profits, after dividends (if your business is a limited company), or proprietors capital invested in business (if you are an unincorporated business)

The firm's external accountant will usually decide how to present the information.

Are you sure your planned business fills a specific market need?

A good business idea

A good business idea could be an invention, a new product or service, or an original idea or solution to an everyday problem. It might also be:

- A gap in the market that you can fill.
- A business related to the work you do already.
- An interest or hobby that you can turn into a business.

Whatever your idea is, you need to be sure that it fits with your needs as an individual, as well as being a viable business proposition.

Questions to ask yourself

- What is it that you will personally bring to the business in terms of relevant experience and expertise?
- Is there a market - a need for the idea, and will there be enough customers who will pay for it?
- How big is the market, and how will you plan to reach it?
- Who will be your main competitors?
- What is special about your idea that sets it aside from others, and what makes it different from similar products or services already out there?
- How will you fund your idea?
- What might go wrong?

Do you understand the tax requirements associated with your business?

Because taxation is such a vast, complex, and specialized subject and is continually changing. The best way to find out is to ask your local tax office or tax adviser for the information.

Chapter Four

Strategy

Do you know your target market?

Why do your customers need you?

Every business needs a **reason** for their customers to buy from them and not their competitors. This is called a **Unique Sales Proposition** (USP). Completing the phrase can identify your USP, 'Customers will buy from me because my business is the only...'

Your USP can **change** as your business or your market changes, and you can have **different** USPs for different types of customer.

- A stationery shop could offer a free same-day delivery service for its business customers within a local area - an effective USP for businesses that need fast delivery.
- The same stationery shop could offer a 5 per cent discount to businesses that spend more than \$500 a month - this would be a USP for cost-conscious customers.
- The stationery shop could also make sure it offers the most comprehensive stock of artists' materials in the area - a USP for local professional or amateur artists.

All of these USPs can be effective because they are driven by what the customer looks for when making a **buying decision**.

It's a good idea to review your USPs regularly. Can you tailor your products or services to better match your customers' needs? Consider asking your customers why they buy from you. This will tell you what they think your USP is - this may differ from what you think your USP is.

It's also useful to check constantly what your competition is doing. Remember - if your competitors are doing the same, your USP isn't unique any more.

What do you know about your customers?

The more you know about your customers, the more effective your sales and marketing efforts will be. It's well worth making the effort to find out:

- **Who** they are.
- **What** they buy.
- **Why** they buy it.

If you're selling to other businesses, you'll need to know which individuals are responsible for the decision to buy your product or service. For information on targeting decision-makers, see our guide on how to target the right customers. You can learn a great deal about who is buying or not buying, what they may want to buy in the future and asking what other needs they have can give a valuable picture of what's important to them.

Strong sales are driven, by emphasizing the benefits that your product or service brings to your customers. If you know the challenges that face them, it's much easier to offer them solutions.

Its also well worth keeping an eye on **future developments** in your customers' markets and lives. Knowing the **trends** that are going to influence your customers helps you to **anticipate** what they are going to need - and offer it to them as soon as they need it.

You can conduct your own market research and there are many existing reports that can help you build a picture of where your customers' markets - and your business - may be going.

Do you know how to prepare a marketing strategy for your business?

Introduction

Developing a marketing strategy is vital for any business. Without one, your efforts to attract customers are likely to be haphazard and inefficient.

The focus of your strategy should be to make sure that your products and services meet customer needs and that you develop long-term and profitable relationships with those customers. To achieve this, you will need to create a flexible strategy that can respond to changes in customer perceptions and demand. It may also help you identify whole new markets that you can successfully target.

The purpose of your marketing strategy should be to identify and then communicate the benefits of your business offering to your target market.

Once you have created and implemented your strategy, monitor its effectiveness and make any adjustments required to maintain its success.

Key elements of a successful marketing strategy

One of the key elements of a successful marketing strategy is the acknowledgment that your existing and potential customers will fall into particular **groups** or **segments**, characterized by their 'needs'. Identifying these groups and their needs through market research, and then addressing those needs more successfully than your competitors, should be the focus of your strategy.

You can then create a marketing strategy that makes the most of your strengths and matches them to the needs of the customers you want to target. For example, if a particular group of customers is looking for quality first and foremost, then any marketing activity aimed at them should draw attention to the high quality of your products or service.

Once this has been completed, decide on the best marketing activity that will ensure your target market know about the products or services you offer, and why they meet their needs.

This can be achieved through various forms of advertising, exhibitions, public relations initiatives, Internet activity and by creating an effective 'point of sale' strategy if you rely on others to sell your products.

Limit your activities to those methods you think will work best, to avoid spreading your budget too thinly.

A key element often overlooked is that of monitoring and evaluating how effective your strategy has been. This control element not only helps you see how the strategy is performing in practice, it can also help inform your future marketing strategy.

A simple approach is to ask each new customer, how they heard about your business.

Once you have decided on your marketing strategy, draw up a marketing plan to set out how you intend to execute and evaluate the success of that strategy.

The plan should be constantly reviewed and, if necessary, updated so you can respond quickly to changes in customer needs and attitudes in your industry and in the broader economic climate.

Understanding your strengths and weaknesses

Your strategy must take account of how your business' strengths and weaknesses will affect your marketing.

Begin your marketing strategy document with an honest and rigorous **SWOT** analysis, looking at your strengths, weaknesses, opportunities, and threats. It is a good idea to conduct some market research on your existing customers at this point, as it will help you to build a more honest picture of your reputation in the marketplace.

Strengths could include:

- Personal and flexible customer service.
- Special features or benefits that your product offers.
- Specialist knowledge or skills.

Weaknesses may include:

- Limited financial resources.
- Lack of an established reputation.
- Inefficient accounting systems.

Opportunities may be:

- Increased demand from a particular market sector.
- Using the internet to reach new markets.
- New technologies that allow you to improve product quality.

Threats could include:

- The emergence of one or more new competitors.
- A more sophisticated, attractive, or cheaper versions of your product or service.
- New legislation thus increasing your operating costs.
- A downturn in the economy, reducing overall demand.

Having done your analysis, you can then measure the potential effects each element may have on your marketing strategy.

For example, new regulations may increase the cost of competing in a market where you're already weak, and you might want to look for other opportunities. However, if you have a good reputation and your key competitor is struggling, the regulations might present the opportunity to push aggressively for new customers.

Developing your marketing strategy

With an understanding of your businesses internal strengths and weaknesses and the external opportunities and threats, you can develop a strategy that plays to your own strengths and matches them to the emerging opportunities. You can also identify your weaknesses and try to minimize them.

The next step is to draw up a detailed marketing plan that sets out the specific actions to put that strategy into practice.

Questions to ask yourself when developing your strategy

- What events and changes are occurring in our business environment and are these opportunities or threats?
- What are our strengths and weaknesses?
- What do I want to achieve? I must set clear, realistic goals.
- What are customers looking for? What are their needs?
- Which type of customers are the most profitable to my business?
- How will I target the right customers? Are there groups that I can target more effectively?
- What's the best way of communicating with them?
- Can I improve my customer service? This can be a low-cost way of gaining a competitive advantage over rivals, keeping customers, boosting sales, and building a good reputation.

- Could changing my products or services increase sales and profitability? Most products need to be continuously updated to maintain competitiveness.
- Could extending my product list or service provision meet existing customers' needs more effectively? Selling more to existing customers is more cost effective than trying to find new ones.
- How will I price my product or service? Although prices need to be competitive, most businesses find that trying to compete on price alone is a poor strategy. What else are my customers interested in? Quality? Reliability? Efficiency? Value for money?
- What is the best way of distributing and selling my products?
- How can I best promote my products? Options might include advertising, direct marketing, exhibiting at trade fairs, PR or marketing on the web.
- How can I tell if my marketing is effective? Check how your customers find out about your business. A small-scale trial can be a good way of testing a marketing strategy without committing to excessive costs.

Chapter Five

Competition

Do you know how to learn about your business competitors?

Tips and pitfalls

Before looking at new markets, think about how you can get the most out of your existing customer base - it's usually more economical and quicker than finding new customers.

Consider whether you can sell more to your existing customers or look at ways of improving the retention of key customers.

Focus on the market

- Analyze the different needs of different groups of customers.
- Focus on a market niche where you can be the best.
- Aim to put most of your efforts into the 20 per cent of customers who provide 80 per cent of profits.

Don't forget the follow-up

- Approach a third party for feedback about your strategy - they may be able to spot any gaps or weaknesses that you can't see.
- Put your marketing strategy into effect with a marketing plan that sets out the aims, actions, dates, costs, resources, and effective selling programs.
- Measure the effectiveness of what you do. Be prepared to change things that aren't working.

Pitfalls to avoid

- Making assumptions about what customers want.
- Ignoring the competition.
- Trying to compete on price alone.
- Relying on too few customers.
- Trying to grow too quickly.
- Becoming complacent about what you offer and failing to innovate.

Who is your competition?

All businesses face competition. Even if you're the only restaurant in town you must compete with cinemas, bars and other businesses where your customers could spend their money instead of with you. With more and more goods, services and leisure options being bought or researched on the Internet, you are no longer just competing with local businesses. In fact, you could find that you are competing with businesses from other countries.

Or your competitor could be a new business offering a substitute or similar product that makes your own redundant. Competition is not just another business that might take money away from you. It can be another product or service that's being developed and which you ought to be selling or looking to license before somebody else takes it up.

And don't just research what's already out there. You also need to be constantly on the lookout for possible **new competition**.

You can get clues to the existence of competitors from:

- Local business directories.
- Your local Chamber of Commerce.
- Advertising.
- Press reports.
- Exhibitions and trade fairs.
- Questionnaires.
- Searching on the Internet for similar products or services.
- Information provided by customers.
- Flyers and marketing literature that have been sent to you - quite Common if you're on a bought-in marketing list.
- Searching for existing patented products that are similar to yours.
- Planning applications and building work in progress.

What you need to know about your competitors

Look at the way your competitors do business:

1. The products or services they provide and their marketing methods.
2. The prices they charge under all situations.
3. How and where they distribute and deliver.
4. The devices they employ to enhance customer loyalty and what back up service they offer.
5. Their brand and design values.
6. Whether they innovate - business methods as well as products.
7. Their staff numbers and the caliber of staff that they attract.
8. How they use IT - for example, if they're technology-aware and offer a website and email.
9. Who owns the business and what sort of person they are.
10. Their accounts at Companies House if they're a limited company.
11. Their annual report - if they're a public company.
12. Their media activities - check their website as well as local newspapers, radio, television and any outdoor advertising.

How they treat their customers

Find out as much as possible about your competitors' customers, such as:

- Who they are.
- What products or services they buy.
- What customers see as your competitors' strengths and weaknesses?
- Whether there are any long-standing customers.
- If they've had an influx of customers recently.

What they're planning to do

Try to go beyond what's happening now by investigating your competitors' business strategy, for example:

- What types of customer they're targeting.
- What new products they're developing.
- What financial resources they have.

Learning about your competitors

Try to find out as much as you can about your competitors. Look for articles or adverts in the trade press or mainstream publications. Read their **marketing literature**. Check their entries in **directories** and phone books. If they are an online business, ask for a trial of their service.

Are they getting more publicity than you, perhaps through networking or sponsoring events?

At exhibitions and trade fairs check which of your competitors are also exhibiting. Look at their stands and promotional activities. Note how busy they are and who visits them.

Go online

Look at **competitors' websites**. Find out how they compare to yours. Check any interactive parts of the site to see if you could improve on it for your own website. Is the information free of charge? Is it easy to find?

Business websites often give much information that businesses haven't traditionally revealed - from the history of the company to biographies of the staff.

Use a **search engine** to track down similar products. Find out who else offers them and how they go about it. Websites can give you good tips on what businesses around the globe are doing in your industry sector.

Getting to know your competitors

Speak to your competitors. Phone them to ask for a copy of their **brochure** or get one of your staff or a friend to pick up their marketing literature.

You could ask for a **price list** or enquire what an off-the-shelf item might cost and if there's a discount for volume. This will give you an idea at which point a competitor will discount and at what volume.

Phone and face-to-face contacts will also give you an idea of the **style** of the company, the quality of their literature and the initial impressions they make on customers.

It's also likely you'll meet competitors at social and business events. Talk to them. Be **friendly** - they're competitors not enemies. You'll probably share common problems. You'll get a better idea of them - and you might need each other one day, for example in collaborating to grow a new market for a new product.

Listen to your customers and suppliers

Make the most of contacts with your customers. Ask which of your competitors they buy from and how you **compare**. Use your judgment with any information they volunteer. For instance, when customers say your prices are higher than the competition they may just be trying to negotiate a better deal.

Use meetings with your **suppliers** to ask what their other customers are doing. They may not tell you everything you want to know, but they may have something useful to say.

How to act on the competitor information you get

Evaluate the information you find about your competitors. It may help you spot whether there are gaps in the market you can exploit or indicate whether there is an oversupply in certain areas of your market, which might lead you to focus on less competitive areas.

Draw up a list of everything that you have found out about your competitors, however small.

Put the information into three categories:

- Are they doing a better job that you, could learn from.
- What they're doing worse than you are.
- What they're doing the same as you are.

What they're doing better than you are, that you could learn from

If you're sure your competitors are doing something better than you, you need to respond and make some changes. It could be anything from improving customer service, reassessing your prices and updating your products, to changing the way you market yourself, redesigning your literature and website and changing your suppliers.

Try to innovate not imitate. Now you have got the idea, can you do it even better, add more value? Your competitors might not have rights over their actual ideas, but remember the rules on patents, copyright and design rights.

What they're doing worse than you are

Exploit the gaps you have identified. These may be in their product range or service, marketing or distribution, even the way they recruit and retain employees.

Customer service reputation can often provide the difference between businesses that operate in a very competitive market. Renew your efforts in these areas to exploit any deficiencies you have discovered in your competitors.

But, don't be complacent about your current strengths. Your current offerings may still need improving and your competitors may also be assessing you. They may adopt and enhance your good ideas.

What they're doing the same as you.

Why are they doing the same as you, particularly if you're not impressed by other things they do?

Perhaps you both need to make some changes.

Analyze these common areas and see whether you think you have got it right.

And even if you have, your competitor may be planning an improvement.

Be innovative and different, but not at the expense of your overall business plan.

Remember don't spend too much time looking over your shoulder at the competition and neglecting your own business.

Chapter Six

Market Information

Do you understand marketing trends in your business industry?

Information on market trends and competitor intelligence

Getting a good understanding of market trends is important if your business is to make the most of its opportunities and remain competitive.

You will also need to understand your competitors and keep an eye on what they are doing in order to predict their next moves and exploit their weaknesses.

Try to get information on:

- Demand for your product or service - is it growing or shrinking?
- General economic and market trends.
- How customer requirements and buying behavior could change in the future.
- What new products are in your competitor's pipeline - could they make yours look outdated?
- How competitors are changing - what are their plans?
- What competitors offer and the prices they charge.
- How your competitors advertise and promote themselves.
- Any forthcoming legislation, which could affect your market.

Using market reports and other data

Once you have identified the information you need, you can start to draw it together. Initially it's worth looking at information that's already been published, e.g. **market reports, official statistics, trade publications,** etc.

Some of this information is free, but some you'll have to pay for. You can obtain market reports and other information from a wide range of sources:

- Your local business reference library is a good starting point.
- Your trade association will have information about your market sector and about any relevant trade publications. .
- Reports in business magazines and the business pages of national newspapers can be informative.
- Local authorities and Chambers of Commerce can provide local information.
- The internet contains a wealth of business data. Search engines such as Google and Ask can aid searching, while directories such as Yahoo! make it easy to look for information by sector.
- Commercial publishers of market reports include KeyNote, Euromonitor, Mintel, Datamonitor, The Economist Intelligence Unit, and Market & Business Development. Reports can often be purchased from the publisher's website.
- Don't neglect your business' own data. Analyzing your sales records or levels of enquiries can provide useful insights. Finally, talking to customers and monitoring their buying habits and how they behave is one of the best methods of market research.

Interpreting market information

Though there's a lot of readily available market information, you need to be careful how you interpret it.

External data might not be in a useful format to use easily. It may have been collected for other purposes or be from a range that doesn't tally with your target market.

Beware of out-of-date market information. This can be misleading, as the market may have changed significantly since the information was published.

It can be particularly hard to tell how recent any information published on the internet is. Some information on the web can be unreliable or biased.

Remember that statistics can sometimes mask the true picture. For example, an 'average' income for the population in your area might conceal a high proportion of low earners - meaning fewer people can afford your product than it appears.

The same principle applies to your own sales records - one or two major customers could distort the picture.

Most importantly, don't make up your mind in advance. Finding market information that simply confirms what you already believe is easy - but only a realistic picture of your customers and markets will be useful to your business.

Chapter Seven

The Internet

Do you feel comfortable using a computer or other technology to improve business operations?

It is part of nearly every business. It enables businesses to work more effectively or take advantage of new opportunities that wouldn't exist if it were not for the development of new systems and services.

This means that you need to understand the ways in which technology can make your business more effective and how to go about selecting the right system to meet your business needs.

You also need to select systems that grow with your business.

Introducing computers to your business

If you haven't used IT systems in your business before, you will probably be moving from paper-based systems to electronic processes.

If you're starting a new business or you feel that you can benefit from using IT and e-commerce in your business, make sure that the solutions you choose suit your needs now and can be adapted and extended where necessary in the future.

Communicate more effectively using IT

Effective communication is central to most IT and e-commerce systems. Most of these technologies are developed to make communication between buyers and sellers faster and more reliable.

Integrating telephone and IT systems

Computer telephony integration (CTI) links IT and phone systems so that numbers can be dialed automatically from your computer, and customer records can be automatically presented to staff members taking calls.

Equipment required

The equipment required to introduce CTI varies according to the size of your system. To connect a single PC and telephone all you need is a special modem and software to retrieve database records. For CTI systems with more than one user, you will need a network server. This can either be an existing server or a separate one dedicated to managing your telephony.

Other uses of CTI include:

- Sending and receiving voicemails as emails so they appear in your email inbox
- Using the internet to make outward calls
- Consolidating all messages (including email, voice mail, fax, phone messages) into one inbox using unified messaging technology

Benefits and costs

Businesses in which employees spend a lot of their time on the phone may be able to considerably increase their efficiency by automating these routine tasks. Busy sales and customer-service departments in consumer-facing businesses are the most likely to benefit from CTI productivity gains.

However for many small businesses the cost of implementing CTI isn't justified by the benefits it offers - call volumes or manually retrieving customer records is not found to be a significant drag on resources.

Improving your internet access

Broadband connections make electronic information-transfer between your business, and customers and suppliers faster and more reliable. The facility is always available, unlike older dial-up connections that require you to connect when you want access.

One of the key elements to the success of any business is the ability to communicate effectively and efficiently. Anything that can speed up the rate at which communications take place has to be given serious consideration. Using broadband technology is one such way that data communications can be radically improved.

Broadband gives you a high-speed, always-on connection to the Internet, which is typically at least ten times faster than dial-up connections. As well as being fast it can be highly cost-effective. It can save you time when using email and the web, thereby helping your staff to become more productive. In addition, it also allows you to build online links with customers and suppliers, as well as with off-site and remote workers.

What is broadband?

The term 'broadband' is used to describe any high-speed connection to the internet. However, there are in fact several different types of broadband connection.

The main difference between broadband and traditional telephone communications is that broadband is based on digital technology, and the telephone is based on analogue technology. While analogue technology is fine for voice communications it has limitations when it comes to transmitting data. Digital technology is much more precise and accurate, which enables both higher speeds and greater reliability. Currently one of the most common forms of broadband is asymmetric digital subscriber line (ADSL), which uses existing telephone lines.

With download speeds of 2,000kbps (kilobits per second) to 20,000kbps, the key feature of broadband is that it is around ten times faster than a standard

Telephone dial-up connection to the internet. This means that, in general, WebPages load almost instantly. It also makes sending and receiving large emails far quicker, making it viable to transfer vast amounts of data in the form of attached files.

In addition, broadband connections are known as **always-on** connections. This means that when you want to visit a website, or send an email, you can do it straight away - there's no need to wait for your computer to make a dial-up connection.

What broadband can do for your business

The speed of access and constant connection of broadband allow businesses to take greater advantage of the internet in a number of ways, including:

Efficiency

Permanent connection to the internet opens up opportunities for streamlining business processes. You could link your online shop with your other essential business systems - known as back office systems - to cut administrative costs and improve efficiency.

For example, linking your accounting and stock control systems to your website can help you do business more quickly and reduce administration costs. You could also automate tasks like transaction processing, order tracking, and stock reordering.

Cost savings

Despite paying a flat fee for broadband access together with any additional charges, businesses can save money while also making more use of the internet. The cost of broadband will be balanced by saving time and resources - thanks to a more streamlined and efficient way of doing business.

Customer service

Broadband can get you closer to your customers and suppliers. You can use it to offer customers round-the-clock access to account information, order status and project details.

It can help you to improve customer service, allowing you to respond within minutes to emails from clients or orders placed through your website. You can link your computer systems with your suppliers, so you can place orders more quickly and efficiently.

Communication

Staff will be able to communicate increasingly via email, which means phone and postage bills can be reduced. You could use broadband to set up VPNs (virtual private networks) to allow off-site and remote workers access to key data.

Greater collaborative working and video conferencing may be possible, which could reduce courier and travel costs.

Broadband can also be used to make voice calls over your computer network using voice over internet protocol (VoIP). The major benefit of this technology is that all calls to other VoIP users are free - all you pay for is the internet connection.

Broadband can help your business become more flexible and more able to adapt to your staff, customer, and supplier needs. For example mobile or remote-working staff can access your network.

Security and related issues

Because broadband provides an always-on connection, there's a greater risk that your PC could receive **viruses** or be vulnerable to **hackers**.

Ask your internet service provider (ISP) what security systems it has in place. For example, it may provide an email virus-screening service.

You can also take some basic steps yourself to reduce the risks, such as:

- Installing firewall software or adding a hardware firewall to your system to help prevent outsiders from accessing your system. Many broadband routers include basic firewall functionality
- Installing anti-virus software to reduce the risk of computer viruses
- Keeping your operating system, firewall, virus protection and other software up to date
- Drawing up and enforcing policies setting out how employees should use email and the internet

Once you have a broadband connection, it's easy to check for updates and download them. Windows operating systems and a range of software - including anti-virus software - can be set up to do this automatically.

Virtual private networks (VPNs)

If you want to give off-site workers or remote offices access to your network, you can use your broadband connection to set up a VPN. This is an extremely secure way of transferring data because it uses the most powerful encryption technology available.

It is also a comparatively cheap way of securing data, because you don't need to hire a system of private leased lines - instead encrypted data is sent over the internet.

Mobile networking technologies

You may have staff working remotely from your office, for example sales staff out on the road or engineers working on customer sites. It is important that they can access your IT systems from wherever they are in a secure and effective manner.

Cost-effective marketing

To get your sales message out to customers and potential customers. Marketing by email offers speed and cost benefits over traditional mail marketing. You can target specific groups or interests more easily - although you must make sure that the messages are focused directly at the recipients. Other types of online marketing such as search and social media also provide a cost-effective way of reaching customers.

Collaborating online

Setting up an extranet can allow customers and suppliers access to relevant areas of your IT system, so they can update key information or directly obtain relevant files. An extranet can save time and minimize transport costs for data that your business needs to share.

Supply chain software can help you to collaborate with business partners online, which can reduce your costs and speed up your processes. Make sure your systems and data are secure

Having the correct information available to your staff at the right time can make the difference between profit and loss, and success and failure for your business. However, the threats posed by hackers and viruses mean that you must protect this information.

Start by identifying the threats posed to your IT systems. Risks that are IT-related have become much more important as technology use increases. Having identified the risks to your business, you can implement effective information security measures. These help your business to continue to operate effectively and profitably.

Your IT security policy should take account of the common risks to the information that your business relies upon. This policy might include secure login identification for using IT systems and logical access controls that limit access to information.

Many businesses use wireless local area networks as they are convenient, cheap, and easy to install. However, they can also be very insecure unless you take appropriate precautions.

Help with planning

In order to plan effectively for both your current and future IT needs, you must specify your requirements correctly and acquire the appropriate technology.

Going online

Before you put your business online, consider all the options and make sure that it's as simple as possible to make the move when you decide to. For example, you may at some stage want to create and manage a website to promote your business or have a fully transactional online shop.

If you have got staff out on the road or working from home, you may want to consider mobile solutions and the ability to connect to your systems remotely. For example, sales people on the road can instantly check stock levels or people who work from home can access internal documents, making communication more effective.

There are several issues that you should consider before selling your goods and services via the internet. This site provides a number of specific guides that will help you through the entire process.

First steps

From the outset, it is important to plan for the development of your e-commerce system. You need to be aware of opportunities and how to exploit them.

Investigate your options for getting online. Make sure you choose the right website and email addresses so your customers and suppliers can find your online presence quickly and easily. Consider the different ways to connect your business to the Internet, ranging from dial-up through to ADSL, cable, and satellite.

Pay attention to the design of your site. The overall look and feel will play an important role in its usability. There are also legal issues to consider in the design of the website. You must comply with the Disability Discrimination Act.

If you want to sell directly through your website, you'll need to have the infrastructure in place to showcase your products and services and process orders electronically.

To complete your e-commerce solution, you'll need to set up the facility to accept payment through your website.

Once your shop is online, consider how to monitor its effectiveness, make it more powerful, and ultimately sell more through it. Think about how you can drive traffic to your site - Also look at how you can build a community around your brand through the use of social media and other Web 2.0 technologies.

Maintain and develop your e-commerce services

Your work doesn't end with setting up your initial e-commerce system. You need to maintain the site, constantly review how well it is operating, and consider new opportunities and ways of working that it may present to you.

Maintaining your e-commerce site

As the website owner, you must ensure that the content of the site is accurate and updated regularly. This will help in promoting a positive image for the business, and attracting and retaining visitors to the site.

As your e-commerce presence grows, so you must protect yourself against the threats posed by hackers, viruses and fraudsters. Identify the risks that they pose and implement appropriate security controls to counter them. Identifying new opportunities

Mobile commerce (m-commerce) is a type of e-commerce conducted through mobile devices such as mobile phones, personal digital assistants and other devices with a wireless connection. M-commerce brings new opportunities to small businesses both to sell new services and to operate existing businesses more efficiently.

Extranets can enable your business to communicate and collaborate more effectively with selected business partners, suppliers, and customers. They can play an important role in enhancing business relationships and improving supply chain management.

An e-marketplace allows you to use a variety of online services such as electronic catalogues, business directory listings, and online auctions to sell your goods and services more effectively to other businesses.

Remember that not all e-commerce developments are a success. You can learn a lot from the experiences of other e-commerce providers and, hopefully, ensure that you don't make the same mistakes.

Understand IT regulations and policies

There are a number of different regulations that you need to be aware of, particularly if you store customer or supplier information, or if you sell goods or services online. In addition there are internal policies that you are recommended to implement if your staff make use of the internet, or email.

Data protection

If you store details about customers, suppliers or potential suppliers on your systems, you must comply with the Data Protection Acts of whatever country you reside in.

Website notices

To comply with both regulations and good business practice you should include a variety of notices on your website. Typical examples include the terms and conditions under which your site operates, a privacy policy, any disclaimers that are appropriate, and a copyright and trademark notice. For examples of what such notices should include see our guide on.

Internal policies

If your staff have access to the internet and make use of email, then you should be aware that there are some associated concerns. These can range from excessive personal use through to potentially opening your business up to the risk of prosecution. Consider introducing policies that clearly state what is acceptable and what is unacceptable in terms of internet and email usage.

Make the most of your IT and e-commerce

To make the most of your IT and e-commerce investment, there are several points you need to observe:

- Focus on the business benefits, not the technology - you may want to make your finance team more productive by eliminating repetitive processes. All you need to know about the hardware and software is that it will achieve this - its technical specification isn't important.
- Only approve projects when you're confident that they support your business objectives - if you're looking to get products to market faster it's worth investing in supply-chain management software. But if your customers prefer longer lead times, there's little benefit to making the investment.
- Plan to achieve measurable improvements - e.g. if you start an online shop, it's a good idea to set sales targets and monitor their effectiveness.
- Don't leave the planning to your suppliers or consultants - only you know what your business really needs from IT. Suppliers and consultants may have their own interests in mind - they may suggest you spend more than you need to achieve your goals.
- Recognize that there is also a requirement to provide ongoing support to your staff to ensure that problems are quickly resolved and system performance issues addressed.
- Get your budgeting right - including future expenditure or maintenance, replacement and upgrading. If you have made provision for your IT systems, you won't be looking around for cash when you need to boost your system or take advantage of new technologies.
- Review projects regularly to ensure that the planned benefits are being realized - e.g. if your finance team are still carrying out repetitive tasks your IT upgrade should have eliminated, you'll be paying twice, once for the IT and again for the staff costs it was supposed to have replaced.

Chapter Eight

Customer Service

Do you have a customer service strategy in mind or in place?

Customer care is a crucial element of business success. Every time you have contact with your customers you have an opportunity to improve your reputation with them and increase the likelihood of further sales.

From your telephone manner to the efficiency of your order fulfillment systems, almost every aspect of your business affects the way your customers view your business. There are also specific programs you can put in place to increase your levels of customer care.

What is customer care?

Customer care involves putting systems in place to maximize your customers' satisfaction with your business. It should be a prime consideration for every business - your profitability relies on keeping your customers happy.

But don't neglect the importance of customer care in other areas of your business. For instance, your warehousing and dispatch departments may have minimal contact with your customers - but their performance when fulfilling orders has a major impact on customers' satisfaction with your business.

The range of factors that can contribute to customer satisfaction:

- How well your product or service matches customer needs
- The value for money you offer
- Your efficiency and reliability in fulfilling orders
- The professionalism, friendliness and expertise of your employees
- How well you keep your customers informed
- The after-sales service you provide

Training courses may be useful for ensuring the highest possible levels of customer care.

Understand your customers

In business-to-business trading, providing a high level of customer care often requires you to find out what your customers want. Once you have identified your most valuable customers or best potential customers, you can target your highest levels of customer care towards them. Another approach, particularly in the consumer market, is the obligation to treat all consumers to the highest standard.

Collect information about your customers

Information about your customers and what they want is available from many sources, including:

- Their order history
- Records of their contacts with your business - phone calls, meetings e.c.t.
- Direct feedback - if you ask them, customers will usually tell you what they want
- Changes in individual customers' order patterns
- Changes in the overall success of specific products or services
- Feedback about your existing range - what it does and doesn't do
- Enquiries about possible new products or services
- Feedback from your customers about buying from other businesses
- Changes in the goods and services your competitors are selling
- Feedback and referrals from other, non-competitive suppliers

Manage your customer information

It's important that you draw up a plan about how customer information is to be gathered and used in your business. Establish a customer-care policy. Assign a senior manager as the policy's champion but make sure that all your staff is involved - often the lower down the scale you go, the more direct contact with customers there is.

You can manage your customer records using a database system or with customer relationship management software. You should be aware that collecting and using customer information might require you to comply with data protection regulations.

Measure your customer service levels

Where possible, put systems in place to assess your performance in business areas which significantly affect your customers' satisfaction levels. Identify Key Performance Indicators (KPIs) which reflect how well you're responding to your customers' expectations.

For instance, you might track:

- Sales renewal rates.
- The number of queries or complaints about your products or services.
- The number of complaints about your employees.
- The number of damaged or faulty goods returned.
- Average order fulfillment times.
- The number of contacts with a customer each month.
- The volume of marketing material sent out and responses generated.
- Time taken from order to delivery.

Your customers and employees will be useful sources of information about the KPIs, which best reflect key customer service areas in your business. Make sure the things you measure are driven not by how your business currently runs, but by how your customers would like to see it run.

There are important areas of customer service, which are more difficult to measure. Many of these are human factors such as a receptionist's telephone manner or a salesperson's conduct while visiting clients. In these areas it's crucial that you get feedback from your customers about their perceptions of your customer service.

Customer surveys, feedback programs and occasional phone calls to key customers can be useful ways of gauging how customer service levels in your business are perceived.

Customer feedback and contact programs

Customer feedback and contact programs are two ways of increasing communication with your customers. They can represent great opportunities to listen to your customers and to let them know more about what you can offer.

Customer feedback can provide you with detailed information about how your business is perceived. It's a chance for customers to voice objections, suggest changes, or endorse your existing processes, and for you to listen to what they say and act upon it.

Feedback is most often gathered using questionnaires, on your website, in person, over the telephone or by post.

The purpose of customer contact programs is to help you deliver tailored information to your customers.

One example is news of a special offer that is relevant to a past purchase - another is a reminder sent at the time of year when a customer traditionally places an order.

Contact programs are particularly useful for reactivating relationships with lapsed customers.

Do your best to make sure that your customers feel the extra contact is relevant and beneficial to them - bombarding customers with unwanted calls or marketing material can be counter-productive.

Newsletters and email bulletins allow you to keep in touch with useful information that can be read at a time that is convenient for the customer.

Customer loyalty schemes

While good overall service is the best way of generating customer loyalty, sometimes new relationships can be strengthened, or old ones refreshed, using customer loyalty schemes.

These are programs that use fixed or percentage discounts, extra goods or prizes to reward customers for behavior that benefits your business. They can also be used to persuade customers to give you another try if you feel you have successfully tackled past problems with your customer service.

You can decide to offer rewards on the basis of:

- Repeat custom
- Cumulative spend
- Orders for large quantities or with a high value
- Prompt payment
- Length of relationship

For example, a car wash might offer free cleaning every tenth visit or a free product if a customer opts for the deluxe service. A mail-order company might seek to revive the interest of lapsed customers by offering a voucher redeemable against purchases - response rates with such vouchers can be improved by setting an expiry date.

You can also provide key customers with loyalty cards that entitle them to a discount on all their purchases.

Employees who deal with customers' orders should be fully aware of current offers and keep customers informed. Sometimes brochures and other marketing materials are the best way of getting word out about a new customer incentive.

Don't forget though that your customers' view of the overall service you provide will influence their loyalty much more than short-term rewards will.

Use customer care to increase sales

Your existing customers are among the most important assets of your business - they have already chosen you instead of your competitors. Keeping their custom costs far less than attracting new business, so it's worth taking steps to make sure that they're satisfied with the service they receive.

There are a number of techniques you can employ, including:

- Providing a free customer helpline.
- Answering frequently asked questions on your website.
- Following up sales with a courtesy call.
- Providing free products that will help customers look after or make the most of their purchases.
- Sending reminders when services or check-ups are due.
- Offering preferential discounts to existing customers on further purchases.

Existing customer relationships are opportunities to increase sales because your customers will already have a degree of trust in your recommendations.

Cross selling and up-selling are ways of increasing either the range or the value of what you sell by pointing out new purchase possibilities to these customers.

Alerting customers when new, upgraded, or complimentary products become available – perhaps through regular emails or newsletters - is one way of increasing sales.

To retain your customers' trust, however, never try to sell them something that clearly doesn't meet their needs. Remember, your aim is to build a solid long-term relationship with your customers rather than to make quick one-off profits.

Satisfied customers will contribute to your business for years, through their purchases and through recommendations and referrals of your business.

How to deal with customer complaints

Every business has to deal with situations in which things go wrong from a customer's point of view.

However you respond if this happens, don't be dismissive of your customer's problem - even if you're convinced you're not at fault. Although it might seem contradictory, a customer with a complaint represents a genuine opportunity for your business:

- If you handle the complaint successfully, your customer is likely to prove more loyal than if nothing had gone wrong
- People willing to complain are rare - your complaining customer may be alerting you to a problem experienced by many others who silently took their custom elsewhere

Complaints should be handled courteously, sympathetically, and - above all - swiftly. Make sure that your business has an established procedure for dealing with customer complaints and that it is known to all your employees. At the very least it should involve:

- Listening sympathetically to establish the details of the complaint.
- Keeping a record about the relevant material, such as a sales receipt or damaged goods.
- Offer to recompense - whether by repair, replacement, or refund.
- Appropriate follow-up action, such as a letter of apology, or a phone call to make sure that the problem has been solved amicably.

If you're proud of the way you rectify problems - by offering no-questions refunds, for example - make sure your customers know about it. Your method of dealing with customer problems is one more way to stay ahead of your competitors.

Chapter nine

Business Protection

Do you know if your business should have some form of intellectual property protection?

You have got a great business idea and you want to know how to protect it.

The type of protection you can get depends on:

- What your idea is
- What you want to do with it
- What level of protection you think you're going to need

This tool will help you find out what kind of protection you may be able to get for your idea and what you'll need to do to get it.

Note: Intellectual property (IP) law is a complex area, but there may be strategic and financial reasons why applying for IP rights may not be commercially advantageous.

You should consider seeking professional advice, for instance from a patent attorney or trademark attorney, before deciding how to proceed.

Do you know where to obtain information about regulations and compliance requirements that impact your business?

Use your own government resources. Below are the ones for the US and the UK.

[Business.gov - Official Business Link to the U.S. Government](#)

Business.gov provides *information* and resources that help small businesses comply with federal, state and local *business* laws and government *regulations*.

[Loans & Grants - Steps to Starting a Business - Licenses & Permits](#)

http://www.alex.com/data/details/traffic_details/www.business.gov/www.business.gov/ -

[Business Law | Business.gov](#)

Find *information* on general small *business* laws and *regulations*. ... *Business.gov* - The Official *Business* Link to the *U.S.* Government. *Business.gov* Logo ...

http://www.alex.com/data/details/traffic_details/www.business.gov/business-law/www.business.gov/business-law/

[Tax Information For Businesses](#)

Internal Revenue Service *United States* Department of the Treasury Testing System (ATS) and/or *Business* Acceptance Testing (BATS) requirements for Software ... Treasury (Tax) *Regulations*, or other forms of official IRS tax guidance. ...

http://www.alex.com/data/details/traffic_details/www.irs.gov/businesses/www.irs.gov/businesses/

[Legislation Uk](#)

direct.gov.uk UK Government **Information: UK** Laws & Legal System

[UK Department for Business, Innovation and Skills | BIS | BIS](#)

BIS is taking a pro-*business* pro-enterprise approach to driving *UK* growth ... as well as *information* for the 10 million parents and carers eligible for flexible working ... advice to help you meet *regulations* and boost your performance. ...

http://www.alex.com/data/details/traffic_details/www.bis.gov.uk/www.bis.gov.uk/ -

[Regulation updates | Business Link](#)

Regulation updates will provide you with *information* about new and changing ... Regulation updates are published before new or changing *regulations* become law and stay live ... *nibusinessinfo.co.uk*, *Business* Gateway, Assembly Government ...

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The End