

Self-Employment: Is It For Me?

An introduction to the world of self-employment

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Today's Session

- Introductions and objectives for this session
- An overview of self-employment
- Legal Status
- Business Plans
- SWOT analysis
- Marketing your business
- Finance and Pricing
- Further information and Q&A

Introductions

- Have you got an idea for a business?
- Have you begun to plan or research and idea?
- What are you looking to get out of today's session?



What is Self-Employment?

Definitions of Self-Employment

- What do we mean by 'self-employment' or 'running your own business'?
- What do we mean by 'employment', or 'being an employee'?

Self-Employment: The Pros

- You are your own boss
- You make the decisions
- You can work flexibly
- No upper limit on your earnings
- Lots of choice (size of operation, who you work with)
- Job satisfaction
- Alternative to unemployment
- Possible tax advantages

Self-Employment - The Cons

- Potential for unsociable hours, meaning less spare time
- You need self-discipline & organisational skills
- No lower limit on earnings, no sickness or holiday pay
- The buck stops with you
- It has the potential to be lonely
- You have to keep accurate records

Turning a Hobby into a Business

- Will you enjoy doing your hobby when you have to do it to a deadline?
- Are you committed to this hobby?
- Can you sell 'yourself', or the thing you create?
- You may love what you do, but will others share your passion?
- Is there definitely a market for your creations/ services?
- Will you be able to generate the income you require?
- Have you thoroughly researched your market?

Your Business Idea

Does your idea have real business potential? Below are some important questions that you should research thoroughly before starting out as self-employed.

- Who are your customers?
- Where are your customers located?
- What price would people be willing to pay?
- Who is your competition?

Choosing a Name

- Choose a name that identifies your business
- Avoid names that may restrict future activities if things start to expand
- Make sure the name conveys the right message
- Make sure no one else is using that name
- Ensure the name isn't offensive in any way (think about other languages and cultures too!)



Legal Status

Types of Legal Status

- Sole Trader - Simple to set up, no costs, full liability for business debts
- Partnership - register separately, but all partners are liable. Tax efficient and popular among husbands and wives
- Limited Company - costs money to set up, limited liability. You will be classed as an employee and all of your accounts can be publicly accessed
- Social enterprise - Various options to consider

Social Enterprises

- Community shops and cafes, e.g. Cafe Direct
- Jamie Oliver's Fifteen
- The Big Issue
- Recycling & Up-cycling e.g. Elvis and Kresse
- Toms Shoes
- The Eden Project



Business Plan

What is a Business Plan?

- A document that clearly sets out what you aim to do
- A 'map' of where you want to go and how you aim to get there
- A vision for your business
- An outline of your goals and your plan to achieve them
- A document to help you obtain finance or investment
- A way to motivate, inspire and build confidence

The Contents of a Business Plan

1. Business overview and description
2. Marketing and sales strategy
3. Financial forecast - sales and cash flow
4. Action Plan
5. Supporting Documents, e.g research and analysis

SWOT Analysis Exercise



Complete the SWOT analysis template provided. If you're stuck, look at the examples below - but try to think of some of your own as well.

Strengths

- Experience
- Start-up capital
- Knowledge of markets
- Existing clients

Opportunities

- Current market is growing
- New government legislation
- Newly available technology

Weaknesses

- Limited capital
- No business experience
- No trading history

Threats

- Economic slowdown
- Changes in legislation
- Aggressive competitor pricing



Marketing Your Business

What is Marketing?

- A way to position your product/ service in the market
- Identifying who your customers and competitors are
- Identifying how to reach customers and potential customers
- Developing a pricing policy
- The way(s) in which you promote your product or service
- A sales strategy - how will you convince customers to buy your product

Reaching And Engaging Customers

- Identify and focus on specific market segments - avoid the 'scattergun' approach
- Make sure that your business offer is crystal clear to customers
- Always consider your customer's perspective - try to put yourself in their shoes
- You don't have to do everything at once - you can always expand your marketing activity as your business develops

Social Media

- Facebook, Twitter, Instagram & LinkedIn all have different uses
- Most services are free to use
- Huge user base = massive potential reach
- Feedback and reviews from customers
- Advertising options for both large and small budgets
- Analytics allow you to track levels of reach and engagement

Methods of Promotion

Take a look at the 'Methods of Promotion' marketing exercise sheet. The sheet contains a list of 21 different ways that you could use to promote your business.

Your task is to number the items from 1 to 21, with one being the most useful and relevant method for your business, and 21 being the least.

There's no right or wrong answers here - only you are going to know which methods are best suited to your market!

Business Information and Market Research

- The Internet - HMRC, trade associations
- Google it! Check out your competitors - they are out there. Think of where your customers will go to find information - what words will they search?
- Chambers of commerce
- Printed information - guides, journals, press adverts and articles. Libraries are a good source
- Local events - markets, fairs, exhibitions
- Talk to people - friends, family, your potential customers, others in business. Get their honest feedback on your idea, product or service.



Finance

Finance

What you'll want to consider when setting up your finances:

- Personal survival budget - how much do you need to take home?
- Business survival budget - The essential running cost of your business
- Start-up costs - initial costs to get your business off the ground
- Profit & loss
- Cash flow forecast

Cash Flow Forecasts

- Estimates expected income and outgoings, and resulting surplus or shortfall
- Establishes how much money is needed to run the business
- Identifies when the largest cash requirement is going to be
- Helps to ensure that expenditure doesn't get out of hand
- Typically forecasts 12 months ahead
- Can be used to do 'what-ifs', planning for worst case scenarios

Cash Flow Forecast Exercise

Take a look at worksheet entitled 'Finances - Cash Flow Exercise', and complete the instructions.

This task may look quite complex at a glance, but don't worry. If you run into any difficulties at all just ask.

Once your done, the correctly filled-out forecast can be found on the third page of the exercise!

Pricing Methods

- Cost plus - The item costs you £1 and you sell it for £2.50
- Market pricing - is there already an established market price that people are used to paying?
- Target return - set a target across the range of items for a 10% profit
- Opportunistic - the 'buy it now' approach. Commonly applied to technology e.g. Apple iPhones
- Predatory pricing - undercutting the competition

Tax and National Insurance

- The self-employed declare their tax via self-assessment (can be done online)
- You are responsible for declaring income and making tax and NI payments
- Personal allowance - You can earn up to £12,500 per year tax-free
- Class 2 & Class 4 NI contributions

National Insurance

- Contributes towards the state pension, maternity/bereavement allowances
- Class 2: currently £3 per week once your profits exceed £6,365
- Class 3: effectively a 'tax' on profits for self-employed. There's a current standard rate of 9% on profits above £8,632

Further Information

- Inspiring Enterprise website: www.inspiringenterprise.org.uk
 - HMRC website:
www.gov.uk/guidance/help-and-support-if-youre-self-employed
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Q&A