

Start Up or Stuff Up?

If you've just started out on the road to small business success you can minimise the risks and maximise the profit by avoiding the pitfalls. Starting a business can be the most exciting and fun time of your professional life. However, like any new experience, the road to small business success can be full of speed bumps and potholes, here's how to avoid some of the bumpy bits.

Here is my list of the top ten common mistakes you should try to avoid.

Pitfall Number One: Relying on your friends for market research

Just because your mates love your idea for a business doesn't mean there is a market for your product or service. Before you start spending money, spend time researching competitors, the industry, the geographic area you will be targeting and the types of clients who will buy your product. In Australia most states and regions have Business Enterprise Centres or Business Advisory Services who offer free advice. In regional areas talk the Economic Development Team from your local council.

Mistake Number Two: Blindly loving your product

Most owners of established businesses will tell you that the product they currently sell is quite different to the one they thought they would be selling. Don't become so attached to your product that you can't see opportunities to develop and change your product to suit the market. Listen to what your clients are asking for and be quick to adapt to their needs. Keep your product ahead of the pack by acting like a speed boat not a sluggish oil tanker.

Mistake number Three: Undervaluing your product or service

Don't be tempted to price your product way below your competitors just because you are a start up. Work out how you rate in relation to your competitors on things like quality, customer service, innovation and expertise, then set your prices to reflect your market position. This is really critical for start up business owners who may be lacking in confidence as you run the risk of pricing too low and only appealing to the price shoppers and bargain hunters. Remember you can always drop your price, but it is much harder to increase it once you've put it out there.

Stuff Up Number Four: (One of my all time favourites) ...Not talking price

Once you've set your price, tell everyone as early in the sales process as possible. Often start ups don't talk about price because they are a bit embarrassed and feel they have to justify themselves. Think of how you feel when you are thinking of buying something and

the seller isn't telling you how much, often you assume the price is much higher than it actually is. Talk price early and often, the more you do it the more confident you will become and the more you will sell.

Pitfall number Five - Designing your own logo (and website)

You are going to have to live with your logo for many years; it is a key part of your image and brand. So, this is one place where it pays to spend money on a professional. No matter how good you were in art classes at school, no matter how talented you are on the computer you are not qualified to design logos and business stationery.... and the same thing goes for your teenage children!

Disaster Number Six - Not keeping records because you are just a small business

I call Start Up the "just do it" phase because it's all about getting work in the door and generating revenue. Many people think that record keeping and systems can wait until the business gets bigger. Don't fall into this trap. Records will provide valuable information you can use to grow your business in the future. Try starting a daily business diary to capture information on where customers come from, average spend and sales per product and you will have valuable data to help you make strategic business decisions in the future.

Sin number Seven - Not using accounting software

These days accounting software like Xero and MYOB are so easy and inexpensive there is no excuse for not starting as you mean to continue. The reports you can generate are invaluable for monitoring your progress and avoiding pitfalls. You will have easy access to data like revenue and expenses per month, sales per client, sales by product category, profit and loss statements and outstanding debts.. at the click of a button.

Blooper Number Eight - Not setting aside money to pay your GST

This may be stating the "bleedin' obvious" but I've seen it happen time and time again. Don't fall into the trap of thinking all the revenue you generate is yours. If you can't trust yourself not to dip into the dollars put aside for GST, set up a separate account and avoid the stress of tax time!

Mistake number Nine - Thinking that any client is better than no client

Growing a start up business is all about finding clients. I call the process "kissing frogs" as we tend to kiss a lot of frogs in the vain hope that one of them will love you enough to become your Prince Charming of a client! Often, we just end up with clients (frogs) that are bad for the business. Even though you need the money, be brave enough to turn down clients and jobs that aren't right for you. I know from experience those jobs are the ones where you spend more time than you have budgeted or find the client expectations don't match yours and nine times out of ten that client actually costs you money. Go with your gut feel; if it doesn't pass the test don't take on the work.

Pitfall number Ten - Spending hard earned cash on traditional advertising because you don't know how else to market

It's tempting when you start a business to dash out and buy an ad because you are not sure what else to do. Research the specific types of client you want to see in your

business and then find out what they might respond to. For instance, look at the type of social media they might follow, Facebook may be a great way to reach Boomers while younger demographics might respond better to Instagram or TikTok. If you can't identify them on social media find another way to reach them... perhaps at a trade show, a networking event or through your existing contacts. Advertising and promotion can be great ways to generate clients but only if there is a strategy behind it as you need to get the right message to the right people at exactly the right time.

Bonus Point – Number 11 – Not tapping into technology

From the latest computers, phones and apps to social media and connectivity, technology is there to make your business life easier and promote what you do. If you are over 40, or out of the corporate world please don't announce to the world you are a dinosaur by saying things like I've always had a secretary to do that for me, or I don't understand computers... Get tech savvy now.