



HOW TO START A RETAIL BUSINESS

**A QUICK GUIDE TO STARTING
A RETAIL BUSINESS**



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A retail business is a business sector in which goods are sold individually or in small quantities directly to consumers for use or consumption.

Making the decision to set up a retail business involves careful consideration. As the standards of clients are continually increasing, the starting up of any retail business could involve considerable financial outlay and time. Owners need to be well prepared before they start their business.

While operating a retail business can be very rewarding, it is important that you educate yourself about the retail industry and understand all aspects of ownership and operation before attempting to start, whether it is a vending stall, an online shop, or a full-blown shop front location.

Take the time to talk to a diverse range of retailer's owners that you know are doing well; these businesses can be identified by their word-of-mouth reputation, continuous quality of products and service as well as their aesthetic appearance. Ask yourself, 'where do you like to shop and why?' Below are a few simple but powerful questions to determine if the retail business is right for you.

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Below are a few simple but powerful questions to determine if the retail business is right for you.

If you're still wondering is this right for you BEDC has a course for you! [Think Like an Entrepreneur](#) is an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur. This course runs twice a year once in the spring and winter.



1 Is the Retail Business Right for You?

A. Are You A Good Financial Manager?

Financial preparation is a vital consideration when planning a retail store. Many prospective owners take out loans or join with partners. Others invest their personal equity. No matter how you choose to finance your retail business, you should have your personal finances under control before jumping into the business. Consider the following:

- Start-up capital – Are you ready to take on a significant bank loan and/or invest your personal funds?
- Your existing debt – Will you have sufficient back-up funds if needed?
- Funds needed to sustain your personal/household expenses – Assuming you will be working in the business in some capacity, can you afford to decrease/minimize your salary if needed?

B. Do You Have Good Business Sense?

- Running a retail business requires responsible management.
 - Do you have the attention to detail, commitment to quality and customer service skills necessary to make your consulting business flourish?

C. Can You Deal with Long Hours?

- You must be mentally and physically prepared to work long hours. As a new owner you will have to put in a considerable amount of time and effort to create a successful retail business.
- Does your current family lifestyle enable you to commit the huge investment of time necessary to start up a retail store?

D. Can You Balance Business Stress with Your Personal Life?

- The demands of the retail industry can be intense, and your personal life may often come second to your business. Most owners set out with a true passion for the business or industry. Do you?
- Are you easily discouraged? If so, starting a retail business may not be the right business for you.

- Are you caring for an ill family member, just recovering from a divorce or financially tapped out due to paying for college educations? It may be the wrong time to start a retail business.
- Do you want to open a retail business for the right reasons? Be sure you have the business know-how, the passion for the work and the money to make it happen, not just because you like the idea of being your own boss.

E. Do You Have the Right Experience?

- Owning and intimately understanding all aspects of key retail operations is critical to success. You must effectively manage the day to day challenges necessary for steady business growth. Just because you worked in a retail shop 10 years ago doesn't mean you are ready to handle the multitude of business elements involved in managing and operating a successful retail business. Below are a few questions to measure your skills, knowledge and abilities in handling important retail operations.
 - Are you comfortable with the price setting to ensure the right profit margins?
 - What skills do you have in just-in-time inventory purchasing to ensure the right goods or services are purchased at the right prices?
 - Do you know what to look for when hiring staff? How will you incentivize your key team members?
 - Do you know why a cashflow schedule is important? Do you know what to look for when reviewing a cashflow schedule on a weekly/monthly/quarterly basis? Have you managed a business accounting system before? If you don't like accounting, do you know why it is important to have a good accountant/advisor on your business' payroll?
 - Have you designed a system to determine your weekly % of repeat customers?

Important Tips to Consider when Starting a Retail Business

General

- Is the store conveniently located?
- Are the store hours convenient for the customer's shopping needs?

Store Appearance- Exterior

- Is the parking lot and sidewalk clean and well-lit?
- Are the windows clean?
- Are there miscellaneous fliers posted on the store front?
- Do any signs convey the correct image?
- Can the business be easily identified from the road?
- Are window displays changed regularly and kept updated?
- Are window displays well-lit all the time?
- Is the storefront appealing to customers? Is it kept in good repair?

Store Appearance- Interior

- Is the store's atmosphere and décor appealing to the consumer?

- Is the floor free of debris and appear clean?
- Are all light fixtures working properly?
- Does the store appear well-lit?
- Are interior signs consistent in font and color?
- Does the store look full of inventory?
- Are interior fixtures kept in good repair?

Customer Service

- Are customers greeted by a member of staff upon entering the store?
- Are employees easily identifiable with uniform or name tags?
- Does the staff seem knowledgeable about the products they sell?
- Do the employees of this store handle customer complaints, returns and other customer service issues directly and promptly?
- Does the staff consistently treat customers with respect?

Product Offering

- Are products well signed, labelled with prices and neatly displayed?
- Is there a good variety and selection of products?
- Are the prices competitive with other retailers in the area?
- Is the quality of merchandise the highest available for the price?
- Are items to be sold first or pushed as a priority located at the front of the store or by the cash register?
- Are sale items given the same care in terms of display and access as non-sale items?

Traffic Flow

- Does the store layout make it easy to navigate around the shop?
- Is each department/section within the store clearly defined?
- Are the aisles wide enough?
- Are the aisles free of boxes?



2 Matching Your Desire To The Market Demand

The Right Market Research Is Key to Your Success

Detailed market research will reassure you that you are doing the right thing and there is a market for your retail business. A successful business has a carefully planned mix of elements and getting one wrong can be costly and or even fatal to your business.

Retail Type: Identify the type of retail you would like to open i.e. vending booth, an online shop, or a physical presence of a store.

Location, location, location:

Travel around the island and see what is working in different locations.

Learn about your market. Write down the answers to the following questions:

- Who needs/wants this type of retail?
- Who do you think are typical customers?
- Is the market for my product/service growing and expanding?
- Who are my competitors?
- What is working well in our local environment?
- Is the market familiar with my proposed service? i.e. Footwear (Adidas, Nike, Jordan's)?
- What shops have recently closed and why?
- Where will I locate my business and why?
- What will be my premises rent assuming I need a bricks and mortar building?
- Am I capturing new trends? i.e. Eco Friendly
- How many customers will I need per day to make my business work?

- How much are people willing to pay?

A. Market Survey: Once you have established who your target market is, it will be helpful to assess what their needs are. Consider conducting market research relevant to your prospective new business. For instance, if you designed a questionnaire survey you could ask a representative sample of people the following questions.

- How often do people shop for your product or service?
- Where will my customers/clients come from? i.e. (Locals, guest worker, cruise visitors, hotel visitors/guest houses or schools)
- What is their current favourite source for this service (if it exists) and why? (Depending on what type of retail business you want to open)
- Are they happy with the current choices available?
- How large of a demand is there for my services?

B. Focus Group: Try and survey as many people as possible but don't rely on family and friends as they may tell you what they think you want to hear. It may be possible to meet with a group of potential customers before you open your business to test their reaction to your proposal. For example, if you are setting up a clothing store, you could talk to a group of locals who are likely to use your service. Find out what style of clothing they prefer. They may suggest ideas that will enhance your business or provide information on the local market.

C. Market Research Outcomes: Following your market research you should have:

- Clearly defined your concept.

- Identify who your customers are likely to be.
- Information on your expected customers (numbers, preferences, lifestyle and spending habits)
- Who your competitors are and what their strong and weak points are.

D. BEDC Marketing Support: View our [website](#) to get a listing of quality marketing service providers that can offer assistance with any of the above.

3 The Right Location Is Key To Your Success

Write down the answers to the following questions:

- Where do you intend to operate?
- How suitable is the proposed location for your business?
- Will your products be secure when you are closed?
- Are you considering change of use or setting up in a historical building, view the [Department of Planning's Guidance notes](#).
- If you are entertaining a change of use (ie. from a residence to a business), renovation of existing business or new building to house your business you may want to engage an architect to support you in working through the appropriate paperwork for actioning all required items in a timely fashion.
- Is there adequate parking nearby?
- Are all essential services available (water, electricity, toilet facilities and waste disposal)?

- If considering a renovation of existing premises, will you be able to cost effectively adapt the space to suit your needs?
- Is there a feel-good factor when walking into your business?
- What is the foot traffic like outside your premises?
- Is there a pool of potential customers in the locality?

Other Considerations:

- Do you have all the space that you require for your proposed operation?
- Will you be leasing or purchasing a property for set-up of your business?
- Use a real estate agent to help you identify available properties for purchase.
- If leasing, negotiate terms with the landlord regarding any modification of the space i.e. if you invest \$5,000 towards leasehold improvements within a dated premise, perhaps you can negotiate x months forward free rent.
- Identify the Strengths, Weaknesses, Opportunities and Threats of your Business. When thinking of Weaknesses and Threats, be sure to confirm mitigation solutions to offset any negatives as well.

4 Buying an Existing Retail Business vs. Starting from Scratch

If you decide that the retail business is right for you, one of the first decisions you will make is do you purchase an existing retail business or start your own from scratch. Each option has its advantages and disadvantages.

See Entrepreneur's feature on [Should You Start a Business from Scratch or Buy an Existing Business](#)

Chron's feature on [Buying an Existing Business Versus Starting a Business](#)





5 Government Approvals

Liquor Licensing Authority

To offer alcohol for sale an application must be submitted to the liquor license authority for consideration.

Department of Planning

- Will you have to modify your proposed shop space? If so you will need planning approval.
- Confirm what type of zoning is in place. Consult an architect if needed.
- Ensure that you have a building permit once you get planning approval.

Department of Health

If you are operating retail business which might include selling food, you will need to get a license from the Department of Health certifying you have met the requirements for a restaurant/ food service business.

H.M. Customs

If you are importing goods you will need to pay a rate of duty, but also choose the right class or tariff code for your goods to be cleared through customs. Reduced rates of duty maybe available for retailers. Consult with customs on what opportunities are available on their [website](#).

Payroll Tax

All businesses are responsible for registering and paying Payroll Tax. Payroll Tax is governed by the [Payroll Tax Act 1995](#) is a tax payable by employers on the total salary, wages and benefits paid out to employees and self employed persons. You will need to complete a [Registration form](#) to get a Payroll Tax ID # and this is what you will use to make your quarterly payments. If you have any questions about this process you can contact the [Tax Commissioners Office](#)

and one of their Officers can assist you in completing your form.

Department of Social Insurance

Every employed or self-employed person who works more than four(4) hours a week is required to pay contributions into the Contributory Pension Fund (CPF). In most cases if you have ever been employed you and/or employees will already have a Social Insurance Number. If this is the case, you will have to contact the department to advise them that you will assume making the payments. Log on to their [website](#) to get the most current Social Insurance Rates.

Department of Immigration

If you are hiring foreign staff, you will need to apply for a work permit. You can get the [Work Permit Policies Document](#) from their website.

Pension

As a Self-employed Person you must apply for registration of a Self-employment Pension Plan in accordance with the Act and the Regulations, if you:

- are Bermudian or the husband or wife of a Bermudian; and
- are between the age of 23 and 65; and
- have pension-able earnings from self-employment exceeding \$20,000, in a calendar year.

For more information on the requirements for establishing a pension visit the [Pension Commission](#) website.

Employment Act

Will you have employees? If so, then The Employment Act is the minimum standard of regulations governing employment in Bermuda. The Act sets out guidelines and sets out the minimum conditions of employment.

6 Knowing The Numbers

What are the costs to establishing your retail business? Consider the following:

- Equipment
- Personnel expenses
- Other fixed costs (Rent, electricity)
- Variable costs
- Maintenance

You can use the [BEDC Sources & Uses of Funds Statement](#) to help tally these expenses. When identifying your expenses, take account of your own personal financial situation.

When identifying your expenses, take account of your own personal financial situation. You can use our [Personal Financial Statement](#) to access your individual financial position at a given point in time.

- How many clients do you need to see to breakeven?
- Identify your worst-case scenario, so that you can plan for it.
- Prepare a [cash flow projection](#) that includes the assumptions that you make regarding your income and your expenses.

If you still need assistance with knowing the numbers BEDC has a course for you! [Financial Statements Planning and Costing using QuickBooks](#) is an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statement and to learn how to use basic QuickBooks functionality. This course runs twice a year once in the spring and once in the winter.





7 Legal Issues And Insurance

Determine the structure of the company

- **Sole Proprietorship** - has only one owner. This is the simplest form of business. You are personally liable for the business' obligations. All debts are your debts. You own all the assets, but at your own risk.
- **Partnership** - involves more than one person or partner and requires a bit more formality. It can be either a general partnership or a limited partnership. In a general partnership, partners manage the business and its obligations together. All general partners work in the business and share in its income and debts. Sample partnership agreement are available at www.bedc.bm. In a limited partnership, general partners operate the business while limited partners are silent investors who retain no control over the way the company is run.
- **Limited Company (LTD)** - A corporation is an independent legal entity that is separate from its owner(s).

There is a clear separation between the owners' wealth and the assets of the business.

- **Limited Liability Company (LLC)** - A Bermuda LLC is a separate legal entity, and its members have limited liability, much like a corporation. In common with a partnership, however, the affairs of a Bermuda LLC are governed by an agreement rather than by statutorily mandated constitutional documents. This affords great flexibility.

Health – Health Insurance is a requirement for all businesses. Contact local providers to find out the best rates for your business. The [Health Insurance Regulations Act](#) requires all employed and self-employed persons to have a contract of health insurance either with a private insurer or the Health Insurance Plan (HIP), the minimum requirement, for all employees and their non-employed spouses. The Act makes provision for all matters relating to health insurance in Bermuda.

Liability – In addition to health insurance for you and your employees, you will also need to invest in Liability insurance to protect your customers and yourself. Liability Insurance is important for those who may be held legally liable for the injuries of others, like doctors or care providers, and business owners. You can contact any of the local insurance companies to get quotes on the cost for coverage.

Workers Compensation - a form of insurance that reimburses an employer for damages that must be paid to an employee for injury occurring during the course of employment.

- Law requires that an employer (1) provide employees a safe place to work, (2) hire competent fellow employees, (3) provide safe tools, and (4) warn employees of an existing danger.

If an employer fails to provide the above, the employer is liable for damage suits brought by an employee and possible fines or prosecution.

8 The Business Plan

Take the information you have gathered and compile it into a written document that you can reference to help guide you. The plan can also be used to help you obtain financing if needed. You can use the [BEDC Business Plan Checklist](#) to help guide you; however, the components of most plans include the following 7 headings:

- **Executive Summary:** Write this last. This is a summary of your plan and quickly lets the reader know, what you need and why you need it.
- **Company Description:** Legal establishment, history and start-up plans, etc.
- **Product/Service:** Describe what you're selling. Focus on customer benefits.
- **Market Analysis:** Know your market, customer needs, where they are and how to reach them.
- **Strategy and Implementation:** Be specific. Include management responsibilities with dates and budget.
- **Management Team:** Include backgrounds of key members of the team, personnel strategy, and details.
- **Financial Plan:** Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions and business ratios, etc.

If you require additional help with formulating a Business plan BEDC has a course for you!

Entrepreneurship 101 is an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure

small business success. This course runs twice a year once in the spring and once in the fall.

9 Financing The Business

Check out the [BEDC Government Incentive Guide](#) to see what might be available to assist you.

Loans– Do you need to get a bank loan? If so be sure you are ready by making sure that you have:

- A detailed Business Plan
- Business Financial Statements
- Personal Financial Statements for the owners and/or guarantor
- Details of the collateral available to support the loan
- Documents that support the amount requested
- Any legal documents related to the business. (i.e. Lease, Incorporation Documents)
- Identification for individuals (proof of Bermudian Status)
- The 5 C's:
 - **Character:** What is your business experience? How have other loans been managed both business and personal? What is the reputation of the business?
 - **Credit capacity:** The bank will assess your ability to repay.
 - **Capital:** What are the assets of the business and the guarantor?
 - **Collateral:** What security can be put forward to support the financing?
 - **Conditions:** The Bank will identify the main risks for the industry and the market it operates in and include financing terms to mitigate these risks.

BEDC Guarantee - The BEDC can act as a guarantor for up to 75% of a bank loan for small or medium sized businesses that

appear viable and where the credit worthiness of the borrower is sound. As guarantor of last resort, the maximum BEDC guarantee amount is \$200,000. Any small or medium sized business with no other means of collateral (cash, real estate, equipment, vehicle chattel, inventory, etc.) may contact the BEDC and apply for the BEDC guarantee. Check out the [10 Step Guarantee Process](#) for more details on applying for the BEDC Guarantee.

BEDC Micro Loan - BEDC has allocated \$100,000 in funds to be used to facilitate small loans in amounts from \$2,500 up to \$30,000. The BEDC will offer a 100% guarantee on the loans to qualified applicants. Visit www.bedc.bm for more information on the Micro Loan.

Bootstrapping – is defined by Investopedia as “a situation in which an entrepreneur starts a company with little capital. An individual is said to be bootstrapping when he or she attempts to fund and build a company from personal finances or from the operating revenues of the new company.” Can you start your business in phases, using your own personal funds and sweat equity?

NOTE: Any financial product that you may apply for, a credit check will be performed, so please ensure you are up to date with payments or payment arrangements for any debt referred to the credit association.

Bermuda Business starts here at BEDC and BEDC is the first stop for local business in Bermuda. For more information and assistance with getting your transportation business started, visit our website at www.bedc.bm, email us at info@bedc.bm or call 292-5570 to schedule an appointment to speak one-on-one with one of our dedicated officers.

10 Other Information To Note

EEZ Zones (St, Georges, North East Hamilton & Somerset)

What is an EEZ?

An EEZ is an area of land that the Minister of Finance has designated to benefit from economic empowerment under section 2A of the Act. Economic Empowerment is achieved by allowing duty concessions on certain goods to be used in the development of properties situated within an EEZ.

- **EEZ Payroll Tax Concessions-** Any business located in an EEZ zone can apply for BEDC for a Payroll Tax Relief Letter. The letter will only give the tax concessions (which is the lowest rate) for up to 9 tax periods from the commencement of the business.
- **NEHEEZ businesses-** can receive preferential rates and terms from Butterfield Bank on Small Business, Commercial and Residential Loans.
- **Duty Deferment-** A deferment, or deferral of customs duty means that the payment of duty is made some point in the future and not at the time of importation. This is not an exemption of customs duty; the full duty is still charged and payable against the imported goods; but the full payment is simply delayed.

Letter of Credit Programme

BEDC has partnered with the HM Customs and allocated \$200,000 in fund annually to be used to facilitate lines of credit in amounts up to a maximum of \$10,000 to assist businesses in importing goods for retail sale in Bermuda.

Educational Courses

- **Ice House Entrepreneurship Programme-** an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur.
- **Entrepreneurship 101-** an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success.
- **Financial Planning and Costing using QuickBooks-** an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statements and to learn how to use basic QuickBooks functionality.
- **Planning for Profit using Quickbooks -** an 8 week course, participants will learn how to utilise the Quickbooks software to manage inventory, employees and run reports. Participants should have their business already set up in Quickbooks or have taken the Financial Statements, Planning & Costing Using Quickbooks course.





- **Adhoc Training and Seminars-** BEDC offers monthly seminars based on feedback of topics from our users.

Global Entrepreneurship Week - GEW is the world's largest celebration of the innovators and job creators who launch start-ups that bring ideas to life, drive economic growth and expand human welfare. One week in November GEW inspires people everywhere through local, national and global activities designed to help them explore their potential as self-starters.

Signature Events of GEW

- **Rocket Pitch** - An island wide business plan competition for emerging entrepreneurs to submit a plan and present to judges and win cash and prizes to assist with their business start-up.

- **Women's Entrepreneurship Day-** Bermuda celebrates with over 144 nations in observing WED to celebrate the work of women entrepreneurs.

- **BEDC Business Awards** - these awards are a celebration of Small Business owners and local entrepreneurs. There are a range of categories and awards are distributed to the category winners during a night of elegance.

- **Enterprise Bermuda-** The [Enterprise Bermuda Incubator](#) programme focuses on walking participants through an in-depth twelve-month development process, which ensures the entrepreneurs get beyond the idea stage and start to bring their businesses to fruition. the resources and support that is needed through, mentorship,

inhouse courses, workshops and seminars, as well as advice and mentorship from professionals in the private sector to help develop the business over a 9-month period.

The programme is offered at the start of the year and applications open in November. Visit www.bedc.bm for more information.

Vending License - BEDC offers vending licenses to persons who sell, offer, or expose goods for sale in a public place. A vending license can be issued on an annual basis or a temporary basis up to 3 months.



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VISIT WWW.BEDC.BM FOR MORE INFORMATION