
Exemplar Materials: Unit 10 A Business Plan for the Entrepreneur

Summary of AO3 research

In order to fully investigate my business idea I undertook a variety of market research.

My primary research consisted of a questionnaire that I distributed to local small businesses. I distributed 14 questionnaires but unfortunately only received back 7. An example of my questionnaire, and analysis of results can be located on pages xxx

Due to poor response to my questionnaire I had a one to one interview with a local firm of accountants. They were very interested in my idea but suggested that I should also consider making myself available to work within my client's own offices. This could reduce their need to employ a full time or part time bookkeeper. I could work for them on a self employed basis. The accountant I spoke to also raised the question of whether I was sufficiently qualified to tackle limited company accounts and felt that I would be better dealing with sole traders whose books by very nature are less complicated to compile. His advice was to try and target those people who are self employed and working as small sole traders.

The main limitations of my research was the lack of response from small local businesses. This leaves me the problem of trying to target people who are about to start up in business. One of the questions that I should have included within my questionnaire was what did the respondents feel would be the best way to attract potential customers. During my interview with the accountant he did state that the best recommendation was through word of mouth. He also suggested a small advertisement in the business section of the local paper, putting a card in the local newsagent's window and having some business cards printed off. We did discuss the use of leaflets but he felt they were unlikely to be very effective as established businesses would already have their bookkeeping and accountancy services sorted out.

My Secondary research included a competitor analysis. In order to complete this I used Yell.com on the internet to find out who my main competitors would be within my local area. Overall I have found that there are many bookkeeping and accounting services on offer in my local area. This tells me that if I want to be able to compete with them I will have to offer something extra, which will attract customers to use my service.

To be able to attract new clients I will need to offer something extra this may be evening appointments, collection and delivery services, working on client's own premises and possibly an option of training to allow people to complete their own books. However, if I do offer training this could possibly reduce my customer base. On the other hand it may increase awareness of my services and generate new customers giving me a steady in and out flow of customers.

There are many disadvantages of only offering a bookkeeping service including that many accountants offer bookkeeping as well so many people may just go to them to do everything instead of having a separate bookkeeper and accountant.

The advantage of just offering a bookkeeping service is that people may look for a friendly local service that is a lot less costly than many of the large accountants. This may attract people who are just starting a small business or people who are self employed and want their books completed without costing a lot of money.

Having looked at the research that I have collected I can see that there are 3 main competitors within my local Hedge End and West End, however, there are many competitors that are only within a 10 mile radius of where my business will be located. To be able to see this more clearly I have used this information to plot all of my competitors onto a map so that I can clearly see where my areas for penetration are.

To be able to compete with the bookkeepers that are already in operation I think that I will need to specialise on people that are just starting up their business or that are self employed. This is because I have found out through my primary and secondary research that many established businesses already have their own accountants and bookkeepers and are not going to change.

SWOT analysis of competitors

Strengths	Weaknesses
<ul style="list-style-type: none"> • Most of the bookkeeping companies do accounts as well so customers may go to them to receive the whole package • They do payroll and tax • Some do evening appointments 	<ul style="list-style-type: none"> • None of the companies I have found offer collection or delivery services • None of the companies only offer bookkeeping so they may be more expensive than someone just offering this service • Larger organisations could be VAT registered so their prices will be higher for those businesses who are not VAT registered themselves.

Opportunities	Threats
<ul style="list-style-type: none"> • My competitors will be able to offer collection and delivery services • My competitors will be able to offer evening appointments • My competitors will be able to target new business because many of the companies do not look to do this • My competitors will be able to offer training to clients once they have developed themselves in the world of business 	<ul style="list-style-type: none"> • There are only two businesses that offer evening/flexible appointments so these are going to be strong competition because this is a service that customers want to be offered • New entrants like me

A summary of my additional secondary research can be found on pages ()

In order to complete my business plan I need to use the following marketing models to help me decide how I will formulate my marketing mix.

SWOT analysis

I have already completed a SWOT analysis for my competitors. I now need to consider my own internal strengths and weaknesses. The second stage is to look at the external opportunities and threats that might affect my plan.

SWOT analysis on Lucy's Ledgers

Strengths	Weaknesses
<ul style="list-style-type: none"> • I will be able to compete in terms of price as I will be working for home so will have lower overhead costs • As I am only offering bookkeeping services I can specialise in this area • I am going to offer a variety of different services to my customers, work in their 	<ul style="list-style-type: none"> • I do not have any formal accountancy qualification such as AAT • I might not be taken seriously due to my age •

<p>premises, delivery and collection and evening appointment.</p> <ul style="list-style-type: none"> • As I am only a small business I can be flexible and meet my clients individual needs • I will offer a personal one to one service • I will not be VAT registered so will be cheaper for businesses who have a small turnover. 	
<p>Opportunities</p> <ul style="list-style-type: none"> • The number of people becoming self employed is increasing • Gain formal accounting examinations whilst starting up my own business • The ability to train people how to use a computerised accounting package 	<p>Threats</p> <ul style="list-style-type: none"> • If the economy was to experience a downturn people less people may become self employed • Other established bookkeepers

The next marketing model I must consider is **PEST**. PEST looks at how political, economic, social and technology will affect my business.

Political

Currently the country is run by a labour government whose economic policies encourage full employment. There are a limited number of government schemes available that offer new businesses grants to help them get established. Unfortunately most of these are either geared at areas of high unemployment or larger sized businesses that are focusing on research and development. My small business does not fit into either of these categories. My proposed target area is one of high employment which does not need government assistance in order to re-generate. The government's policies very much link into the next heading which is Economic and will be covered below.

I will be required to follow legislation laid down by the government which will include paying income tax and registering for VAT if my turnover goes over approximately £58,000 per annum. As I will be working from home I will not have to apply for any planning permission.

Economic

The current economic climate is one of growth. Although there has been some slowing down of consumer spending on the high street the stock market is currently in growth.

The bank of England base rate currently stands at 4.5%. A decrease in the base rate will trigger a reduction in interest rates which means that businesses will have less money going out to service their loans. This could be good for me as small businesses may be able to now afford to pay a part time bookkeeper rather than struggling with the paperwork themselves.

My secondary research illustrated that there had been a steady increase in the number of people who are self employed. The increase in people become self employed on a full time basis rose by 8.8% with part time self employment showing an even bigger increase of 9.3%. People are less likely to become self employed if they lack confidence in the economy. These figures illustrate that people feel confident about starting their own business as the economy is still showing signs of growth. This increase self employment should be beneficial to my business.

Social

The social aspect of PEST refers to the structure of the population. Currently the country is experiencing an aging population. People are living longer and there are there has been a significant drop in the birth rate from 2.5 children per couple to 1.6 per couple. People are also choosing to start their families later on in life.

The most recent debate is the retirement age. The government is now considering raising this to 69 years. This new trend might persuade people to become self employed in order to work part time in their later years. This would also match with the higher increase in part time self employment. This would reduce the need to travel to the office every day and could even prove to be less stressful than having to work within a high pressured environment. Therefore more people could choose to become self employed in the later stages of their working life and would be looking for someone to help them do their books.

Technological

This is the aspect of our lives that is changing virtually minute by minute. If you were to purchase the most up to-date computer today it would probably be replaced by a more high tech one in a few months. The increasing pace of technology has also meant that access to computer has become increasingly more affordable for everyone. It is possible to now purchase a relatively high tech computer for as little as £400.

This means that more and more small businesses will have access to a computer and will therefore want to produce their accounts using technology rather than by hand. This means that I must keep abreast of all the latest developments in the accounts package Sage. With the increased affordability of computers and software I might also see an increase in the demand for clients to be trained how to use the Sage software in order to complete their own accounts.

The next marketing model I am going to use is the **Ansoff's Matrix**. This model breaks down the market into four distinct sections:

- Market Penetration – this requires a business to sell a greater quantity of an existing product to consumers in an existing market.
- Market Development – involves selling an existing product to new consumers
- Product Development – requires the business to sell a new product to an existing market
- Diversification requires the business to develop a new product to be sold to new customers.

When I first start out I service will fit into the Market Development section of the matrix. I am offering a service that is already available but trying to aim it at new customers – those who are just about to become self employed.

As my business becomes better known I will be working towards Market Penetration where I am increasing my customer base but still just offering my bookkeeping services. As I become established I will hopefully attract customers away from their current bookkeeper/accountancy provider.

After approximately one year I am going to try and look at Diversification. This will take the format of developing the training side of the business. I will be trying to encourage my customers to learn how to use the Sage package.

My five year plan will also be looking at diversification. I will hopefully have become a fully qualified AAT Technician and can offer a much wider range of services.

The next marketing model I will examine is the **Product Life Cycle**.

The product life cycle measures the value of sales to see how they fluctuate as time passes. The product life cycle is broken down into four distinct stages:

- Introduction and development
- Growth
- Maturity
- Decline

To start with my service will very much be in the introduction and development stage. If I fail to attract sufficient customers I may never get into the growth sector. Obviously with increased marketing, word of mouth recommendations I would hope to progress into the growth and maturity stage of the life cycle over the next five years.

However, the product is only likely to go into decline if the number of self employed people were to dramatically reduce. My secondary research does not suggest that this is the current trend. If the Inland Revenue changed the way businesses had to report their profits or losses this may affect the type of services that I offer and could cause the service to enter the decline stage. If this were to happen I would have to consider other services that I could offer businesses in order to remain solvent.

Finally the last marketing tool I am going to consider is the Boston Matrix. This matrix considers how a businesses portfolio is performing in the market place. It breaks the variable down into three categories:

- market share relative to its nearest competitor
- market growth
- its position on the grid in relation to other products

The Boston matrix then breaks its grid down into four sections:

- **Star** – product taken off and sales are growing in relation to the market that is also growing. Advertising still playing a major part in this products growth and therefore unlikely to be earning significant cash flows.
- **Question Mark or Problem Child** – this is the product where the market is growing, but as yet the product itself is unknown to the market. The product is at the introductory stage.
- **Dog** – how a low market share and low market growth. Sales have either failed to take off or the product has gone into the decline stage of the product lifecycle.
- **Cash Cow** – this is a product which is at the maturity stage. Without several products at this stage it is difficult for a business to finance new products.

Until I launch my service I will not be sure where it sits within the Boston Matrix. Potentially the number of self employed people is increasing and therefore there would be an increasing demand for bookkeeping and accountancy services. However, when I start out I am going to be unknown and it will take a considerable amount of time for me to become established within the market. I would image in the early stages my service could be considered a question mark or problem child. I am hoping that eventually the service will move through the stages of being a star and then a cash cow. My plans do entail introducing and developing other services as the business grows and these hopefully will be supported my original idea of the bookkeeping service.

Finance

My first task has been to consider the basic equipment that I need in order to start up my business.

The table below outlines the items that I require, possible places to purchase and price.

Item	Possible suppliers	Price
Computer	Packard Bell 1508 from PC World includes XP Home Edition	£599.00
	Vortex Pro 640 PCI-Elite – Novatech includes XP Home Edition	£643.90
Printer	Cannon IP3000 PC World	£89.50
Computer software	Microsoft – Windows Office – Novatech	£174.90
	Sage Accounts Package – PC World	£70..00
Office furniture	Corner desk, small book case, 2 two	£1,200

	draw filing cabinets – Haywood Office supplies	
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I have decided to buy the Vortex Pro 640 computer from Novatec as they are a highly respectable firm within this area. They also offer a personal one to one service. It means that should I have a problem with the computer there will always be someone at hand to help me sort things out.

I am going to purchase the Cannon IP3000 printer as its print cartridges are one of the most inexpensive. I also know that this is a good printer that produces top quality copies and is very reliable.

I will purchase the soft ware stated in the table. The office furniture will come from Haywoods. They are a local firm who offer a free delivery service. Their furniture is sturdy and looks professional. I think this is important as I might have customers coming to see me at home.

In order to run the business I am going to require a car. I have looked through the local yellow pages and Auto Trader on the internet and found out that I could purchase a reasonable car for approximately £1,200. I am going to purchase a Peugeot 106 1600 diesel with three doors this was offered in the yellow pages for £1,500 but the seller agreed to accept £1200.

In order to finance this expenditure I will require a bank loan. The information that I was able to obtain was mainly concerned with personal loans. I might be able to persuade the bank to loan me the money on a personal rather than business basis. This would actually cost me less as interest rates are lower.

My other major expenditure is going to be the car insurance. I investigated three companies –

Lloyds TSB quoted me £655.20 but I forgot to add business use.

Norwich Union quoted me £994.99 with monthly payments of £89.55 – this did cover business use

AA Insurance quoted me £688.96 this also included cover for business use. I will purchase this on a monthly basis rather than one lump sum. This will help my cash flow.

All of the quotations were taken off the businesses own websites.

I have decided to allocate the following expenses on a monthly basis.

Car expenses - £45 per month – this will cover tax, MOTs and repairs.

Virus protection for the computer - £3.25 per month.

The only other investments that I feel I need to make at this moment in time is for advertising. I have investigated the cost of printing flyer and business cards.

Studio One – 500 A4 flyers - £106

Winchester Printers – 500 A4 flyers £96

Business cards – 200 Studio One - £56

Winchester Printers – 200 - £65 If purchased alone but if I order both from them the total cost will be £150.

In order to finance all the above expenditure I will need to arrange a bank loan. Below is a table which illustrates the different interest rates that are available for personal loans from the major high street banks. The information is correct as of 4th December 2005. The figures were taken from www.alliance-leicester.co.uk and represent the figures quoted for a £5,000 loan over 36 months to new customers. Existing customers of the other institutions may qualify for lower rates.

Bank	APR	Monthly cost (£)	Total Payable (£)
Alliance Leicester	6.6%	153.12	5,512.32
Natwest	8.0%	156.13	5,620.68
Lloyds TSB	8.9%	158.07	5,690.52
Halifax	9.5%	161.80	5,824.80
HSBC	13.9%	168.68	6,072.48

The only interest rate I could find for businesses was 10.9%. This is the figure that I will use in my cash flow forecasts to ensure that I allow sufficient funds to meet my debts.

I have decided to take out a £5,000 loan over 3 years. I will use the interest rate of 10.9% to ensure that I do not under budget.

Due to the fact that I will be working from home I have come to the following arrangements with my parents. I will pay them £60 rent for my office upstairs. As the family already pay for AOL I am going to upgrade the current connection from dial up (15.99) per month to broad band platinum which will cost £29.99 per month. I will pay the difference between the two packages - £14.00 per month. I have also agreed to make a contribution to the telephone bill of £5.00 per week.

In order to complete my cash flow forecast I will have to estimate my sales figures.

In the first month (July) I predict low sales. This is because my business has not become established. The sales figures are based on working approximately 5 hours a month. The rest of the time I will be going around different business parks trying to attract customers. By August this will have hopefully increased to 10 hours per month, rising to 15 hours in October, 20 hours per week in November and peaking out in the first year at about 20 hours per week through to June 2006.

By November I hope to be working at least 20 hours and week. From January I would hopefully see a big increase in trade to 30 hours per week.

Production

The final part of my research focused on the processes that I would need to undertake in order to complete my business aim.

The account I interviewed was not very clear when it came to discussing the process his customers go through when seeking his personal services. His comment was 'depends on what they want, and what type of business they run'.

My accounts teacher used to work within a firm of accountants and I arranged to meet her after college one night to discuss this aspect of my research.

Dawn explained to me that I would have to offer a personal service that met the needs of individual customers. However, from her experience she believed that the most commonly demanded services would be:

- completing the sales and purchase ledgers
- petty cash
- bank reconciliation statements
- VAT returns
- completing the aged debtors list and if requested chasing late payments.

She felt that people would contact me via the telephone. I should then arrange a meeting with them to discuss their individual needs. It is from this point that a plan can be created. I will have to find out if they want me to collect and deliver their books, or if they wish to drop the paper work off or if they want me to work on their premises.

My own primary research highlighted the fact that people wanted to pay a lump sum rather than an hourly rate. If I am going to do their books on a regular monthly basis I will have to calculate a monthly fee which will earn me approximately £20 per hour.

I will have to keep a diary to ensure that I know what jobs I am currently working on. I will also have to make sure I time exactly how long I spend on each job. This will help me check if my fixed fee is too high or too low.