
Exemplar Materials: Unit 10 A Business Plan for the Entrepreneur

INTRODUCTION

In order to complete this unit I had to first consider what type of business I was going to set up. I have decided my business plan is going to be for a book-keeper. I have chosen to do this type of business because of the skills that I already have. I am currently studying Accounting, Business Studies and Sage computerised accounts. Once I have finished these courses I will have the skills to start up this business straight away. This is an advantage because I will not have to pay for any additional training courses before I can start up. I will operate my business as a sole trader because this is the one of the easiest businesses to start up as there are minimal start up costs or implications and no formal legal requirements.

The service that I propose to offer is to people who are about to or have just started up their own business. I want to target these people because I think they will be the best people to attract because they do not already have set ways of how they want their books completed. It will also be difficult to persuade businesses to leave their current bookkeepers/accountants. I aim to help clients through their first year of trading and then given them the option to be trained in how to complete their own books so they can save money. This will allow me to move on to more people that are starting up a new business.

Any new business venture is risky. One way to eliminate the risk is to compile a business plan. There are a variety of reasons a business may choose to compile a business plan and these are outlined below:

- To identify the different stages that the business needs to complete in order to be successful
- To set the aims and objectives of the business in both the short and long term.
- To monitor and review business performance
- To obtain external finance

To identify the different stages that the business needs to complete in order to be successful

One of the reasons I am going to compile a business plan is to clearly illustrate each stage that I will need to go through in order to become a successful business.

Whilst undertaking my secondary research I found out that all of the high street banks support new business ventures. One of their services includes the supply of instructions and guidance on how to complete a business plan. This usually consists of a hard copy of documents such as cash flow forecast that you will need to produce as well as a disc which contains pro formas of these documents. The aim of these documents is to ensure that the business researches and considers very carefully all angles before investigating large sums of money.

Barclays Bank small business support pack offers the following support to a new business through their service called Routemap.

- helps you to define success in terms of long-term goals, and set targets to achieve them
- help you think about how your business may be affected by customers, suppliers, current competitors and possible new competitors or products.
- measure how well your business performs compared to fast growing businesses that operate in the same field
- take an in-depth look at the financial health of your business to give you an understanding of which areas are really key to your business success
- understand what makes you successful and how to build on key practices
- learn how you can best use your time and your skills to achieve success
- identify issues and opportunities that arise in considering all of these aspects and prioritise them in the context of your long-term goals
- use the findings to develop an action plan and match with solutions from the Solutions Bank.

I have used Barclays Bank starting and running your business pack for guidance which has outlined that I need to consider each of the following points within my business plan.

- What are my goals – what do I hope to achieve within my business within the first year and in five years' time
- What is my product or service – what service am I offering my clients
- Who are my customers – what type of customers will be attracted to my service
- My sales message – what aspects of my service are going to make it more attractive to potential customers than those offered by my competitors?
- My sales campaign – how and where am I going to provide my service
- My finances – how am I going to finance this venture
- My premises – where will I be based.
- What type of business do I want to be

When I can answer all of these questions I will be in a position to start compiling my business plan.

Setting goals and objectives for the business both in the short and long- term.

All business need to have very clear aims and objectives in order to work out where they want to take the business. Without clear aims and objectives a business may lose its competitive advantage as it has taken its eye off the ball. It will not be keeping ahead of its competitors and may stop offering the product/service the customers want.

One of the first decisions I need to make is what do I want to achieve by running this business.

Below is an outline of my initial Aims and Objectives

- Aim** To attract sufficient customers to be able to break even within the first year of trading
- Objective** To run a small marketing campaign during the months of July and August to try and attract new customers.
- Aim** In the second year of trading to have sufficient customers to be able to employ a part time employee
- Objective** To organise a survey to run through January and February to measure customer satisfaction.
- Objective** To continue advertising within local press throughout November, December and January.
- Aim** To increase the knowledge and skills base of the business
- Objective** To attend college on a day release basis to achieve the AAT qualifications.

Ensuring the monitoring and reviewing of progress is made more straightforward

By completing a business plan a business will have set out what they hope to achieve, how and by when. This will enable them to monitor if they are on course to achieve these aims and objectives. If they are not they are then able to take the necessary steps to put themselves back on track. It gives a business a basis on which to review and monitor their progress.

By using the above aims and objectives I will be able to clearly monitor whether I have achieved what I set out to do. If not I will be able to consider changes that I might need to make to the business in future in order to meet my targets.

Persuading other stakeholders that the business is likely to be a success. This could include finance for the business.

One of the most common reasons a business compiles a business plan is to persuade external agencies to lend the business money. Nobody is going to invest in a business that has very little evidence that they are successful.

If a business wishes to persuade a bank they are worth investing in they are going to have to prove that they have an excellent idea, the knowledge to follow it through and the financial implications.

Why am I completing a business plan?

I have compiled the business plan for a number of reasons:

- to find out if there is a market available for me to 'tap into'
- to organise my thoughts and ensure that I will be successful
- to persuade the bank to lend me the necessary capital to start up.

The different parts of my business plan

Preliminary Information

The first part of the business plan must clearly outline the basic information about the business. Below is my preliminary information.

Name Lucy's Ledgers

Mission Statement To offer a professional bookkeeping service to small businesses.
The service will include a delivery and pick up service, working from customer's premises and evening or weekend appointments.

Location 
Southampton
Hampshire
SO 

Initially the business will target customers living in the Hedge End, and West End areas of Southampton.

Physical size of the business In the first year the business will only consist of myself. I am hoping to have sufficient customers to employ a part time member of staff after the first year.

Type of Ownership The business is going to be run as a sole trader. This type of business is easy to set up and there are no legal requirements to be met. It also means I have sole control of the business and will be free to make the decisions I feel would be best for the business. It also means I will reap all the profits but will also have to sustain any losses the business may make.

Goals and Objectives These were outlined above but consist of two main aims.

- * To break even within first year of trading.
- * To employ a part time member of staff in the second year of trading.
- * To attend college on a day release basis to gain the AAT qualifications.

I will also need to compile the following sections in a lot more detail within my plan:

- Marketing
- Human resources
- Finance
- Production

Marketing

In order to complete my marketing strategy I will have to undertake primary and secondary research. My research will allow me to check out my business idea – can I actually attract customers? What services do they actually require?

My next step will be to use a range of marketing tools which I have outlined below. However, in order to formulate my marketing strategy they cannot be used in isolation. They will help me in different ways to formulate my marketing strategy.

The marketing tools I will use as follows:

- SWOT
- PEST
- Ansoff matrix
- Product life cycle
- Boston matrix

A **SWOT** analysis looks at the internal strengths and weaknesses of a business. It looks externally to identify the opportunities and threats that the business idea may face. Its purpose is to help the entrepreneur focus and use the strengths that the business has, and address internal weaknesses. It also enables the entrepreneur to consider what is going on outside of their business. Where are the possible opportunities for future developments and what could be the immediate short and long term threats to this business?

A **PEST** analysis looks at the external environment and how this can affect a business. *P = Political*. This is how the current political climate and policies could affect the venture. *E = Economic*. This areas looks at how the national and even the international economy affects the business. *S= Social*. This area looks at how the structure of the population could affect the business venture. It will also take into consideration changes in tastes and fashions. *T = Technological*. This is perhaps the fastest changing area and looks at how recent and future technological advances could affect the business venture.

Ansoff’s Matrix is used to help a business gain competitive advantage. In order to achieve this a business needs to consider whether they need to improve or revamp their current product or develop a new product in order to keep ahead of their competition. This is often best done through the use of a matrix which is illustrated below.

		Products	
Existing	A	C	New
Market Penetration			Product Development
New	B	D	New
Market Development			Diversification

A - Market Penetration requires the business to sell a greater quantity of an existing product to consumers in an existing market.

B = Market Development involves selling an existing product to new consumers

C = Product Development requires the business to sell a new product to an existing market

D = Diversification requires the business to develop a new product to be sold to new consumers

The **Product Life Cycle** is simply records of sales and how they fluctuate as time passes. The product life cycle allows a business to plot the progress of a product and then make changes to other parts of the marketing mix according to the pattern of sales. The product life cycle is made up of four stages.

Introduction and development – the product is developed and launched on the market. Sales will slowly increase as customers' awareness of the product increases. At this stage the business is probably still losing money and as yet failed to break even.

Growth – sales begin to increase as customers interest grows. The product should now be heading towards break even and making a profit.

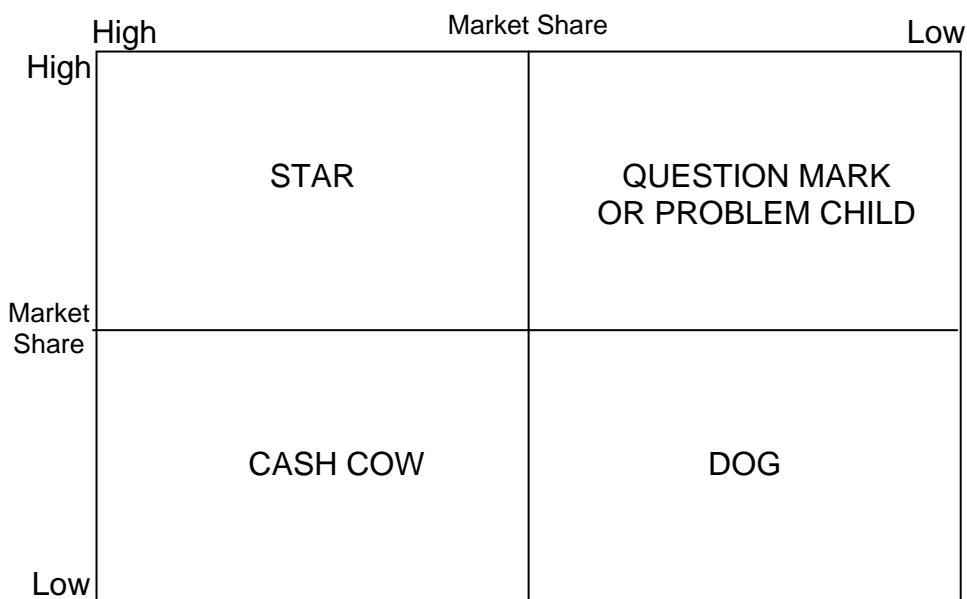
Maturity – sales begin to flatten out as the product becomes well established and more competitors enter the market . Often the market will become saturated.

Decline – sales will begin to fall. The business must either develop strategies to extend the products life cycle or let it die.

The **Boston Matrix** classifies products according to three variables:

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

The Boston matrix gives businesses an opportunity to classify their products.



The Boston Matrix

Dog – has 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 life cycle.

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.

Star – the product has taken off and sales are growing in relation to the market which is also growing. This product is unlikely to be earning significant cash flow as the business is investing in more advertising and working hard to establish it into maturity.

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 internally.

The aim of having a product portfolio is to ensure that the cash cows are providing sufficient funds to support the question marks or occasionally prop up the dogs. The cash cow can help the question marks to turn into cash cows.

Having used all these marketing tools I will then need to use all this information to inform my marketing strategy. The main focus of my marketing strategy will be the four Ps. The four Ps consist of:

- Product
- Price
- Place
- Promotion

My market research should inform me what type of service customers want. It may be that they actually demand a different product to the one that I envisage supplying. The research should also identify a price range for the services that I will be offering. I will also need to consider what my competitors offer. I should also discover if my customers want a pick up and delivery service, do they want me to come and work within their own environments? It should also highlight where they want to have meetings – in my house or at their offices.

I must also try and find out the best way to advertise my services. What newspapers do my potential clients read, where do they go to notice advertisements? Would direct mail be an effective way of reaching small businesses that are already established? How can I influence people who are just about to start up in business?

Human Resources

The human resources strategy must cover the following points:

- the number of potential employees required
- the skills and competencies of employees available within the country locally/nationally
- the recruitment and selection processes to be used
- training needs of employees

The human resources plan of any business needs to identify how many, if any employees will be required to run the business efficiently. Efficiency must be viewed in terms of giving the customers the customer service they require which will encourage them to become repeat customers against the cost of employing people. A business will also need to assess whether it has sufficient work to support an employee. A new business may lose customers if they are only working on their own and are suddenly snowed under with orders.

Having identified a requirement to employ staff a business needs to consider the skills that would be required for the position. Are these skills available locally or would the business need to advertise the position nationally. A skills shortage may indicate the need for the business to pay higher wages in order to attract employees from competitors. On the other hand if there were no skills shortages the business could potentially have a much wider range of choice of potential employees without the requirement to inflate wages.

The next stage is to consider by which methods it is going to attract potential applicants. Having attracted a strong field a business then has to decide how they are going to shortlist and interview their potential employees. What ever methods a business decides to use for recruitment and selection they must not breach any of the equal opportunities legislation or employment rights act which was recently amended.

Once employees are in post the businesses and individual training needs have to be linked together. Well trained staff are often have greater motivation and provided a much better service for the businesses customers.

The **Financial Plan** will focus on the following areas:

- sources of finance
- budgets
- break even forecasts
- cash flow forecasts
- profit and loss accounts
- balance sheets

The start point for any new business has to be how is it going to *be financed?* The entrepreneurs will have to consider whether they can raise sufficient funds between themselves, whether they will become a limited company and offer shares to family members and friends or if they need to borrow money from external agencies.

Budgets allow a business to allocate their financial resources to different sections of the business in order to achieve maximum efficiency. When budgets are completed it allows managers and owners to focus on exactly how much money is needed to run the business and identifies areas where financial savings could be made.

Break even forecasts identifies the point where in production the business makes no loss or profit. It is usually calculated in units. This will show the business how many units need to be produced in order to reach break even point. It is another useful management tool.

Cash flow forecasts - identifies the money that is expected to come in and go out of a business over a set period of time. Using this information allows a business to identify periods when they may be short of cash or have excess cash that could be put to more effective use.

Profit and Loss accounts identify how much gross and net profit a business has made or could make over a set period of time. Gross profit is the amount of profit earned from the sale of the product excluding the expenses incurred when running the business. Net profit is calculated by taking gross profit and deducting the expenses of the business. A projected profit and loss account will help identify if the venture is likely to make a profit or a loss in the first year of trading.

Balance Sheet illustrates the assets and the liabilities that a business has at one moment in time. A start up balance sheet will identify the items the business owns against its liabilities. It could be used to calculate the gearing of the new company. Is there a higher proportion of loans against the actual assets of the business? A highly geared business is more likely to fail as they have to ensure that their sales are high enough to repay their debts. A lower geared business will have less demands on its revenue.

Production Plan

Even though I will not be producing a product I will still have to consider some of these aspects.

I need to know how many clients/how much work I can complete in a day. This will ensure that I do not overbook myself and let customers down. This would be extremely bad for my reputation.

The only equipment that I will need is a computer, printer, table, chair and filing cupboards.

What I will have to work out is how I will go about providing my service. I will need to be flexible and meet the specific needs of each customer. This could involve collecting and delivering of work, allowing customers to drop their work off at my house or even spending time working with my customers at their premises. As I am offering a personal service to each customer and I can tailor what I need to meet individual requirements. This will hopefully ensure that I deliver a high quality service.

How to monitor the quality of my service may be difficult. One measure is if clients keep returning and if I get my customers due to word of mouth recommendations. However, on the whole I will have to question my customers to ensure that I am meeting their requirements and that my work is of a satisfactory standard. Quality is much harder to measure when you are offering a personalised service against manufacturing a product.

All businesses will face constraints. These could be considered barriers to progress which are beyond the direct control of the entrepreneur. I am going to have to consider the following constraints as I compile my business plan.

Legal – all businesses have to function within the legal framework. I will need to take into consideration the following legislation.

Data Protection Act 1998 – this act specifies how personal data on clients can be stored and used.

Trade Description Act 1968 protects customers from being misled by advertisements. The Act states that any product must fit any claim made for it in an advert.

Health and Safety at Work Act 1974 and 1996. Sets out the standards which must be adhered to within the work place in order for everybody to be working within a safe environment.

Sale and Supply of Services Act – this act states that the services offered by the business must be as described and fit for purpose.

Financial - all business need to have sufficient funds in order to operate. However, a major constraint on any business is having insufficient funds to implement its plans for expansion or start up. Another problem businesses may experience is having debtors that do not pay their debts within the 30 days stipulated. This can damage a businesses cash flow and make it increasingly difficult for them to continue trading. A lot of businesses fail not because they are not profitable but because they suffer from liquidity problems.

Social –the structure of the population is changing as are peoples' tastes and fashions. All businesses need to be aware of these changes and be able to react to

them in order to remain competitive. The over 60's are currently an increasing group who have funds to invest in new and exciting products and services. Businesses are beginning to aim their products and services at this group of people.

Environmental – as a nation we are becoming more environmentally aware. Businesses are gradually becoming more environmentally responsible and using this as a marketing tool to attract and retain their customer base. Legislation is slowing increasing to ensure that businesses reduce the pollution and harm that they do to the environment.

Technological – this is one of the most dominant areas in our lives which is always rapidly changing. Technology has changed the way that we work, live and communicate. Machines have taken the place of people within manufacturing and computers are now able to do the work of traditional secretaries. Businesses need to keep abreast of modern technology if they are to remain competitive in their field.

Competitive – all businesses face competition. It is how you deal with the competition can be the deciding factor if you are successful or unsuccessful. Businesses can compete on price, quality, availability, range of products, after sales service and general customer service. All these factors could be deciding factors for customers.

Within this section of work I have covered all the angles and points that I will need to address throughout my business plan.