

Business Plan for Women Entrepreneurs - How to start a business



Business Plan for Women Entrepreneurs

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This is a special edition made for UN Women.

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Women Entrepreneurs

A significant and systematic gap still exists in the entrepreneurial involvement and business ownership of men compared to women.

Great opportunities exist for governments at all levels to tap into the underutilized potential of women. Across the world, women from a variety of backgrounds are showing increasing interest in expressing their entrepreneurial spirit.

And yet, many women hesitate to transform their business ideas into action.

Women entrepreneurs' knowledge

Women entrepreneurs have to deal with the same basic business essentials as men. But it should be no problem. On the contrary.

Compared to men entering business, most women are:

- Harder working
- More careful
- More accurate
- More serious
- More enquiring
- More likely to admit to inability
- More likely to seek and listen to advice
- Quieter and less flamboyant
- Less inclined to push themselves forward
- Better at dealing with people
- More likely to worry
- More likely to underestimate themselves
- More likely to blame themselves when things go wrong

(Collected by Michael Morris)

Still, fewer women start a business than men.

Women entrepreneurs are experienced managers

At the same time women entrepreneurs are often better managers than men. They know by experience how to lead a group of people because they have often been the managers of their own family.

If you have three children, a mother in law who does not think you are good enough for her son, few money to buy food for, parents that depends on you, a husband you might love but who is not always that caring combined with evening classes in computing and you still manage you are quite a manager.

A startup guide

Managing a business is less difficult that managing an extended family. This book will guide you into the works of creating and managing a business.

The author

The author of Business Plan for Women Entrepreneurs – which is an edited version of The Dynamic Business Plan, is Mogens Thomsen. He holds a Master in Management from the University of Southern Denmark (Scandinavia).

He works as a business consultant in Denmark, and he has written several business books and created **iværksætter** (entrepreneurial) web sites.



Thomsen has years of experience in living and working with people from all around the world. He has driven a bus from Europe to India, travelled in Latin-American and worked as a business consultant in Zambia/Africa.

His international experience combined with his profound knowledge of entrepreneurship suddenly combined into a vision one sunny December day.

Thomsen was in his home town Aarhus taking one of his frequent 5 kilometer runs in the nearby Marseliesborg Woods. At the 3 kilometer milestone it dawned upon him that the concept he had used to guide the many Danish entrepreneurs to start-up was equally valid for anyone, e.g. an Indian IT engineer who wants to start a business in Mumbai, India.

He ran directly home, skipped his shower, opened his computer and started writing this book: The Dynamic Business Plan.

Read more at <http://dk.linkedin.com/in/mogenthomsen>

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The Dynamic Business Plan

A business plan is a description of the business you want to start. It is also a plan for how you intend to run and develop it. After making a business plan you will have great knowledge of the business world - the world in which your future lies.

The business plan gathers all the bits and pieces from the business preparations and your general life experience of relevance to your business. It contributes to a more well-arranged start-up – beneficial to the entrepreneur, his/her family, personal network, consultants, and sources of finance.

You should not see the business plan as the final statement for your business. Instead, you should see it more like a platform from where you gain access to the business world. It is a dynamic world so your plans for your business must be dynamic as well.

Working out a business plan serves many purposes:

- Help structure and realise your visions
- Gather knowledge and compelling information
- Facilitate a framework for better business decisions
- Convince family, banks and other investors that you are worth an investment
- Proof of dedication
- Base for better counselling from co-operators and sparring partners

When the business plan is written it will describe the following issues:

Business Concept

A good idea is only a good business idea if you are able to make enough money from it for you to live independently. Once you have got an idea, in most cases it needs adjusting and further development before it turns into a commercial concept.

Personal Resources and Objectives

Running a newly established company is a very personal thing as its owner is typically the only one present in the company. Therefore, it is important to emphasise to yourself and others alike that you do possess the capacity and resources necessary to run a business.

Product/Service

The product or service you offer is the lifeblood of your business. Thus, it is important to analyse its various aspects. Special attention should be paid to what the customers demand from the product or service.

Market Description

Before you are able to carry out any sort of sales or marketing action you need to identify the market you want to penetrate. A good marketing result requires thorough market and customer insight.

Sales and Marketing

Sales and marketing are your tools to approach potential customers in order to raise an interest in your product or service. Whether to run local newspaper advertisements, direct mails, work out an internet solution, or attend international trade fairs, is entirely dependent on what you sell and what customer profile you want to approach.

Practical Organising of your Business

You need to describe the every-day running of your company and also take into account the cost of arranging and running your business.

Business Development

It is hard to think 3-4 years ahead even before your business is up and running. It would, however, be an advantage if you, at this early stage, can envision the outlines of an even bigger and more interesting company than the one you start out with.

Budgets

Budgets are the above topics described in economic terms. The more specific the plans, the easier it becomes to work out budgets. Budgets will also contribute to the concretizing of the plans and it is ok to go back and change plans if the budgets prove them unrealistic.

Financing

Financing merely asks: "How do I raise the funds that I need to start my own business?"

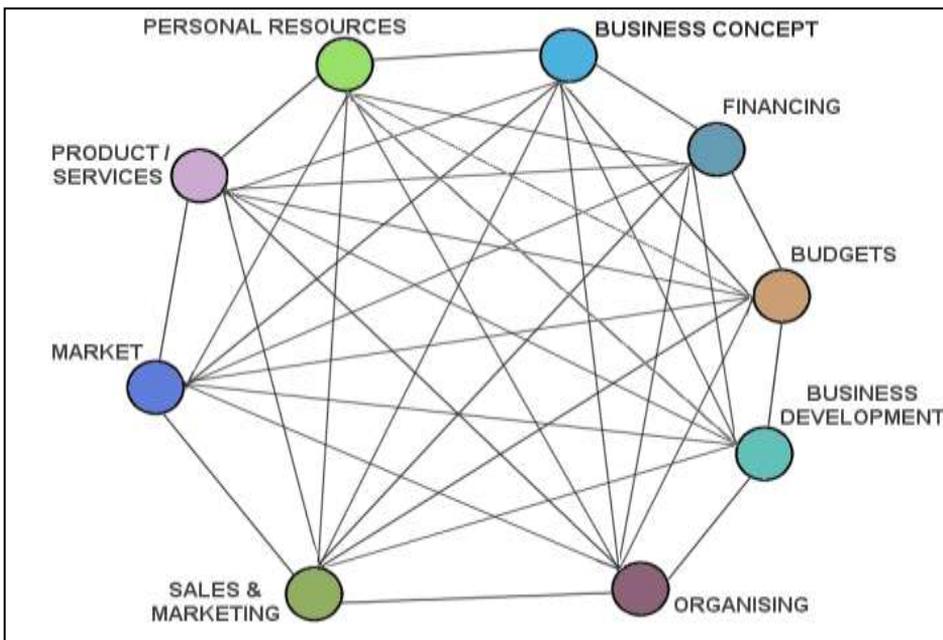
This book will guide you through all the issues. When finished, you will have produced your own business plan.

Never ending process

The moment you finish writing the business plan it will contain obsolete information. Every time you retrieve new information in one area it affects another area in the plan. You therefore have to look at the business plan as a process, and not as a final statement.

Hopefully the concept of The Dynamic Business plan will be fixed in your memory. If it is, you will always be alert to the dynamic changes in the business world, and be able to act upon them.

Below you see the concept of The Dynamic Business Plan illustrated. You need to gain knowledge about all the topics, and know that all the topics interact with each other. They also never stop interacting.



Business concept

A good idea is only a good business idea if you are able to make enough money from it - sufficient money for you and your family to make a decent living.

Once you have got an idea, in most cases it needs adjusting and further development before it turns into a commercial concept. If the idea is not convertible into a commercial concept, then is it not advisable to start a business based on the idea.

Below are topics to help you develop your idea.

Mission statement

When starting a business there is a tendency of basing it on specific knowledge or on a specific product.

If you like cooking you may want to open a stand and serve hot chicken soup at fair prices, and if you are educated within IT and software you may want to establish a company specialising in relational databases.

By basing your business on one specific product or service you make your new business vulnerable. If its foundation crumbles away, the market will lose interest in your business. You will have nothing else to offer the market.

What you need to do is look behind the apparent features of the product. That is: how long and wide the product is, the colour of it, the durability, how many rotations per minute and

so on. Try instead to determine which human, business or society related challenges the product meets.

If you like cooking and sell “chicken soup” your mission statement could be “to serve tasty and healthy takeaway food for the public at fair prices”. By choosing this statement you will be able to continue your business even if the public should stop liking chicken soup. You will also open your mind to new ideas and new commercial ventures by widening your business statement.

Are you able to write down your mission statement? If not, wait and come back to this item later. When working with the business plan the right mission statement might just pop up.

Elevator pitch

The mission statement must be right for you, but you also need to know exactly what you actually sell.

If you are asked: “so, what are you doing?” it is often quite hard to come up with a swift and clear answer for what your company actually sells. Many have a tendency of maundering, deepening or understating leaving the questioner with a diffuse impression of what has been said.

Try to prepare the perfect sales talk brief enough to be told to a stranger in an elevator. He or she might be a potential customer.

A restaurant owner and an IT expert could work out the below elevator pitches:

- **The restaurant owner**

I own the city’s most entertaining Sports Café with a capacity of 150 people. It is fully equipped with state-of-the-art technology providing full insight into all aspects of the world of sports from separate monitors at each of the

40 tables.

We have specially trained staff to serve our menus and drinks at fair prices. Here is my business card, it is a one-meal-free voucher for you and a friend.

- **The IT expert**

We provide a service for companies enabling their existing financial management software to handle electronic invoicing, stock control and payments transfer. This is a requirement large companies will shortly ask their suppliers to meet.

Furthermore, e-commerce is cutting administrative costs. Those joining now will be ready to face the future.

Customer benefit

What benefits do the customers get from buying your product or service?

As customers have to spend money on your service or product it is important to analyse which motives they have for doing so. If you do not know these benefits it becomes difficult for you to develop and sell the service or product to the customer.

Usually it is hard for an entrepreneur to envision what kind of customer demand is satisfied by purchasing his/her service or product. The entrepreneur would rather let the customer know about the product's properties. This means facts on the product/informative labelling like how long and wide, the weight or how many MHz the computer delivers.

However, a customer only focuses on the benefits and output to be gained from a given service or product.

Benefits group into several categories – they could be saving time, money, trouble, or transportation. A benefit for the customer could also be increased sales, a more distinguished appearance, being acknowledged and recognised, moving

into nice surroundings or getting your competitors where you want them.

What benefits and outputs will your product give the customer?

Different from your competitors?

Look at your community, the area in the city, the new mall or the local market. You are probably able to buy whatever product or service you like. So why start a new business when you can already buy everything?

Because you can do better - hopefully. You have to ask yourself: "In what way is my product or service better than the ones already available?"

The differences can be small but crucial. E.g.:

- Your family can supply you with fresh shrimps
- Few have the computer skills you have
- Your stand is very close to a bus station
- Your cousin has studied in Europe and has contact with a European businessman
- Your education gives you new knowledge to perform better
- Your personality will give your customers a good feeling so they purchase more
- You have, over the last 10 years, become friends with important purchasing agents.

Clear goals

Set clear goals for your new business. By doing this you will put psychological pressure on yourself and will probably perform better. The aims have to be very precise so you are able to measure them.

Clear goals could be:

- Within 12 months six major customers will deliver 60% of the turnover
- At least one new product has to be developed each year
- I will close down the business if it has not reached 70% of anticipated profit within 12 months
- The gross profit will have to be at least 55 %
- After eight months I will have paid back the loan to cousin Giang

Personal resources and goals

Before seriously getting on with the idea of starting your own business you must consider your motives for starting on your own. You also need to consider whether you possess the personal/financial/professional skills qualifying you for a business start-up. By doing this you could become surer of yourself and your new future.

Below are some useful points of consideration for your self-evaluation:

Why do you want to start-up your own business?

There can be various reasons as to why people want to start business, such as the inner urge to pit oneself against one's own abilities as an entrepreneur, or the wish to make a lot of money to a between-jobs-situation with no prospect of decent employment. Even the takeover of a family business or the family wishing to have a businessman in the family can be a reason too.

Family network

The closest people available to assist one in starting a business are family. Hopefully they share your dream of managing a business. Grandfather, parents, brothers and sisters, cousins and others may have a lot of contacts that can support you in making the business flourish.

Unfortunately, the same family members can also be a liability to your new business. If they feel they have the right

to make business decisions for you, your business life could then get difficult. Maybe then you have to move?

Decisions made in a 'family context' seldom go together with business decisions. Business decisions normally have to be taken from facts and your own intuition. Family decisions are often based on feelings and are irrational.

Evaluate where your business is at the moment. What can you decide and what will the family decide?

Experience

It almost goes without saying that you should not start business within a trade or area of experience that you are unfamiliar with. If you have to start out gaining basic knowledge about your service or product along with getting to grips with running a business it will soon become an almost impossible task.

However, some lines of trade are fairly easy to learn. Starting a cleaning company or selling pizzas can be done with very little knowledge about the trade.

What do you know best and what are you best at? Does that fit in with your new business?

Education

It is a great advantage if there is an educational foundation of the competences in the company. If you can add several years' practical experience within the field it will take the competence to an even higher level. Life experience and spare time activities are also important parameters to review when starting a business.

Economy

Very few of those starting their own business have a lot of money to invest in the company. Then again, very few companies require substantial financial resources to get started. Usually, a consultancy or a software engineering company does not require huge start-up capital. Besides its knowledge pool, such a company usually needs only a phone, a computer, an internet connection and means of transportation.

It is the complete opposite for retailers in huge malls, and for development-intensive companies such as biotech, computer game development and manufacturing companies. If you are to start a small computer store, your capital requirements will quickly mount.

How much money are you able to raise?

Internal Trade Networks

Having the right connections within a trade is of great importance. But networks are also important within other aspects of business operations. Experience shows that many customer relations have been established because a friend of a businessman has told another friend about the businessman.

Product/service knowledge

It is important to possess a profound knowledge of the service or product you want to market. An uncomplicated business such as selling fast food or cleaning can be handled on the basis of general skills and knowledge, and without prior experience.

However, starting a translation agency without a proper linguistic education would be very unwise. The more

specialised the service, the more important it is to possess great knowledge of the topic.

Do you know enough about your product or service?

Work Tasks

The business owner must handle numerous work tasks. If there is only one person in the company, s/he must be managing director as well as sales/financial/marketing manager, office clerk and bellhop. However, often there will be key areas which the owner is particularly keen on.

When starting a business you might not be able to work with what you like the best. Other tasks might be more urgent. However, you can set goals that, in the future, bring you to work with your desired work tasks more often

Which areas are you particularly keen on working on? Can they be fulfilled in your new business?

Weak sides

You probably have a lot of strong sides that will benefit the business. But one person seldom has all the skills and personality that makes the perfect business. You may have strong skills in selling and developing your product, but maybe not in completing paperwork and administration functions.

It is important to acknowledge that you might not be the best in all fields of work. If you know your weak sides, you are able to cover these by hiring staff, so get help from your network or purchase any missing skills from a consultant.

Do you have any weak sides? If so, how will you cover them?

The product / Service

The life blood in your new business is the product or the service you are selling. It is therefore important to analyse your service from many angles. The analysis is used to convince the reader – and yourself - of the business plan, and that you know about all the aspects of your product.

You should look at your service or product from the following angles at least:

The exact product / line of goods / service

Try to specify exactly what you are selling. Many companies have difficulty in telling the public what they are selling. If you sell soft drinks or shoes then it is fairly easy to state the exact product. But if you want to sell your own developed software or work as a consultant it sometimes can get a bit more complicated. What kind of software is it? Software to optimise work flow, 3D and visual effects, or software that measure ones heart beat – or even the rhythm in a music box?

And even, what kind of consultant exactly? Are you a daily management, logistic, European affairs, wedding or funeral consultant? You can find many different consultants, so be specific and don't expect others to guess the correct type.

For example, if you are opening a Sports Bar and Cafe you could specify your product in these categories:

1. Beverage
 - Soft drinks
 - Tea & coffee
 - Alcoholic

2. Food
 - Menus
 - A la carte
 - Snacks

3. Sports effects
 - Football
 - Cricket
 - Other

An IT expert could be selling three products:

- Product 1: A strategy paper stating the pros and cons about online trade for the specific company and what measures to be taking to implement an IT strategy.
- Product 2: Implementation of the IT strategy. This means making sure that the economic system of the company is able to communicate with the web shop.
- Product 3: Service contract with a maximum 4 hour time of response.

Estimate of Costs

To be able to estimate if you will be able to make money from your business, you must find out what the customer is willing to pay for the service or product you offer.

You also need to find out how much the product will cost you to purchase, produce or import.

The difference between the two amounts shows how much money you will have left to pay your rent, telephone, internet access, marketing and your own salary (or the profit of firm).

Example

If you sell CDs at \$25 on the internet and promote it as “No postage & packaging”, your calculation could look like this:

Sales price	25.00 \$.
- Purchase price at CD company:	18.75 \$
- Packaging and padded envelope:	01.00 \$.
- Postage:	<u>02.00 \$.</u>
= Contribution margin:	03.25 \$ (13 %)

This calculation shows you that each time you sell a CD at \$25. You will have \$3.25 left. This has to cover expenses other than those related directly to purchasing, packing and dispatching the CD.

This amount is also called the contribution margin or gross profit.

You can also calculate a percentage, which is then called the contribution ratio. It is done like this:

- $\text{Contribution margin} \times 100 / \text{sales price}$

In the above CD example the contribution ratio is:

- $3.25 \$ \times 100 / 25 \$ = 13 \%$

Contribution margin when selling service

The contribution margin differs substantially between different trades. The above example generates a relatively modest contribution margin.

Compare this to a consultant giving a management and development presentation which may pay you \$1500 per presentation. Here you may only have \$50 of direct expenses for the cab taking you to the hotel where the presentation is held. This generates a \$1450 contribution margin (97%).

However, you probably then have considerable fixed costs and you cannot expect to sell presentations for 40 hours a week.

The same thing applies to, for example, accountants, lawyers, psychologists and others.

Pricing

Eventually, an independent business owner must price his/her product/service. To many this is unexplored territory. However, it does not have to cause too much trouble. You just need to be aware of a few conditions.

- Market mechanisms allow you to put a high price on your product/service if there is a great demand and a poor supply.
- Oppositely, if there is a poor demand and a surplus of similar products/services in the market you may be forced to apply a low price.

Expenses

Before your product/service reaches the customer, a number of cost accumulating activities have taken place – activities such as:

- Purchase, cost of sales and maybe also raw material processing
- Wages
- Freight, import duty
- Administration, etc.

Once you have determined your expenses, you can easily apply a 'breakeven price' on your product/service. Add your required profit and you have a sales price. Do not forget to add VAT or other expenses demanded by the state if it is

obligatory in your country.
The calculation could look like this:

Cost price /raw material
+ Cost of production
+ Profit
= Sales price

Price is only one of many competitive parameters. You should also pay attention to a number of other conditions: service, quality, close to market, prestige, 'the good story' etc.

Target Group Demand

Your target group conditions also influence the pricing:

- What are the customer's requirements, buying motives, and expendable capital?
- Season, trend, fashion
- The customer's price expectations – psychological price, corporate image, price and quality, etc

Put yourself in the customer's place, and then fix the price. During periods of low consumer expenditure, it may matter whether your product/service is a necessity or a luxury item.

Market Structure

Depending on the competitive situation in your market you must at least investigate the following:

- The general price level of the product/service
- Are the competitors campaigning on price?
- Which other competitive parameters apply?

Inter-changeability

If price is the most important parameter, then you must also consider if other products/services are inter-changeable with yours. If you sell takeaway spring rolls and your neighbour sell hamburgers. then these products are inter-changeable. The customer's hunger will be satisfied from both products.

The higher the inter-changeability, the more the customer gains from purchasing the cheapest product/service.

Supplier

Some businesses have a extensive network of suppliers around the world. Others have none because they are their own supplier. Do you have a product that requires goods delivered by specific suppliers? You should state this in the business plan.

The supplier could have a big influence on the performance of your company. What happens if they go bankrupt or their quality goes down? Can you find other suppliers to fill the gap?

Stock

You have to consider how much stock is needed in your company. The ideal situation is that you always have the item your customer wants to buy in stock. On the other hand it is also very expensive to have too much in stock.

Maybe the fashion changes and customers like the colour red but you only have green in your stock. That is simply bad luck and your red items in stock are worth nothing.

A general rule is that 20% of a business's products generate 80% of its income. Try to locate the 80% of the products and

eliminate them from the product line. This might minimise the need for a large stock.

Maybe you could make a deal with your supplier that they only deliver products when you actually have sold them. This is called just-in-time management.

Distribution

To many companies distribution of products/services is a big problem. If you want to sell directly to the consumers it is often hard to find qualified sales channels.

Selling to Private Consumers

Picture yourself having found some fair-priced excellent outdoor shoes of superior quality on a trip to Australia. You may even have visited the production facilities who are willing to deliver the shoes. You return back home to where you want to market the shoes. How is this done?

You can go to the local market and get a stand, but you have to sell a lot of shoes to earn an income. You can run advertisements in the newspaper, but it is costly, and who would buy shoes from a complete stranger?

Would it be possible to get a deal with one of the country's shoe chains? Maybe, but most likely they are not going to offer you a 10% margin per sold pair of shoes. They would easily be able to deal directly with the Australian supplier simply because of their sales volume. Here, the internet comes in handy as a distributional alternative – but then again, who would buy a pair of shoes without having tried them on first?

Which distribution channel is the best for you?

Wholesaling

Offering services to a limited target group makes the distribution more manageable. You may have developed a plastics components manufacturing software for the pharmaceutical industry. Thus, your customers are plastics manufacturers.

In your country there may be 800 such manufacturers supplying to the pharmaceutical industry, and throughout Asia there may be 10.000.

For a newly established company it is somewhat easier to contact, distribute to and service 10.000 companies than several million individual consumers.

Customers' Purchasing Behaviour

Before settling for a specific distributive system you must understand your customers' buying habits. You can ask your customer: "What, where, how and when do you purchase goods?".

The customer most likely makes demands on:

- Purchase volume – is the customer ordering 600,000 units or single units?
- Delivery lead time – does the customer want the order right now or will s/he be able to wait for 30 days?
- Geographic logistics – will a central distributor do or must you have distributors spread throughout the market?
- Product diversity – does the customer require multiple product diversity or will a standard product be enough?
- Additional services – Does the customer value other issues such as guarantee, franco, credit extension, etc.?

Choosing Distributive System

Many people want to sell their product/service directly to their customers. In doing so, you score the full profit yourself without having to split it between one or more intermediaries.

There is a tendency towards direct sales to consumers, but to a newly established company a hook-up with one or more distributors could be a wise decision.

A distributor/liaison can take some costly tasks off your shoulders. An example:

- Collecting market data
- Marketing
- Negotiation
- Order book
- Financing
- Transfer of risk
- Warehousing
- Payments
- Carriage to customers

Having analysed your customers' purchasing behaviour and the pros and cons of using a distributor you are now ready to choose the ideal distribution system for you and your customers.

Competitors

You are practically never alone in the market you want to operate in. There will always be one or more companies providing a similar service or product meeting the same demand as yours.

Know your competitors – even better than they do themselves.

First, identify them, and then find out as much information about them as possible.

- How many are they?
- How widespread are they - geographically?
- What is their staffing level?
- What services do they offer?
- What is their price level?
- How is their quality?
- What are their weaknesses, if any?
- What is their image among their customers?

You can get such information in many ways. You can call a rival company and request brochures, find them on the internet, visit the shop, seek information at the library, buy their products, interview people who have bought rival products, etc.

If there are too many competitors for you to know them each individually, you must determine the total number of competitors and try to pinpoint the ones presenting the biggest threat to your own existence.

Cooperation

Often, it can be worthwhile considering your competitors as your colleagues or collaborators.

If the market for your service is sufficiently wide or has the potential of expansion, then all parties would benefit from cooperation. If you get an order too big for you to handle on your own, two competitors/colleagues may come in handy and help fulfilling the requirement.

Potential for development

Most products have a certain life span on the market. It can be long or short depending on product or service. Also developments in society and in technology will have influence on the life span.

The life span can be divided into four periods:

1. Pioneer – it is brand new, few people know of it and it is difficult to sell
2. Star – now people know of it and would like to have one – maybe it is a bit expensive
3. Cash cow – the product is now mainstream and you can ‘milk the cow’
4. Fading star – too many have tried it and a new star is on its way up

This life span counts for most products and services.

1. If you open a Sports Bar and Cafe it will be unknown in the beginning, and few guests will come (Pioneer)
2. If it is well driven people will say “Have you tried the new Sports Bar and Cafe? – I have heard it is good” (Star)
3. If it continues being well driven many people will know it and enjoy a good time (Cash Cow)
4. If nothing changes for 3-5 years people will start finding it dull and go to other places (Fading Star)

Where is your new business in the life span? If it is a fading star from the start, then you should certainly find ways to convert it into a “star”.

Description of the market

Before you start any sales and marketing activities you should establish a solid knowledge of the market. If you don't have a feeling of whom your customers are it becomes difficult to choose the right way to approach them.

There are a lot of questions that could be asked in order to establish a picture of your customer. How many customers can there potentially be? Do they live in the neighbourhood or in the urban area, in the province, in the country, in Asia or all over the world? Are they men, women, old people or children? What do they do in the spare time? What is the limit they are willing to pay for the product?

You should know as much as possible about your potential customers. If you know the name and address of the customers then you have come very far in your market research.

In the market you also find competitors. You have to find out what you are up against. On what level is the quality of the competitor's product? What is the price? How big is their turnover? How is their marketing and web site? How is their product development? Where are their weak points?

Iceberg

If you look at an iceberg, 90% of it will be under water with just 10% visible to the human eye. This you can compare with the description of the market and the marketing material. You need to spend a lot of time researching the market and thinking about the best way to approach the customers. After weeks of researching you might end up making a five page

web site and 300 business cards. 90% was spent on research, and 10% on appearance.

Ways of research

Generally there are two types of customers:

- The consumer - private persons buying from you
- Corporate customers - other companies buying from your company

Whether approaching consumers or other companies, knowledge of the customer is important. Often, it is easier to obtain information about corporate customers than consumers. Corporate customers are easier to define. In order to structure your collecting information on potential customers you can make a distinction between:

- Desk research
- Field research

Desk Research

Most likely, retrieving information on customers from home takes place at a desk. You have access to a PC, internet, phone, directories, newspapers and other sources of information.

By a systematic utilisation of the internet you can find most of the information you need to gain an impression of your customers. Practically all companies have a website packed with information about themselves. If you are still short of information you can call the company and request brochures.

Retrieving consumer information is slightly harder, but some business school's websites may offer consumption pattern analyses. Trade associations may also hold data useful to your company.

Field Research

Not all information is accessible from your desk. Usually you will have to supplement the information by field research. Most companies, new and old, will get invaluable information about their customers by asking a few simple questions.

It does not take a fancy detailed questionnaire study. All you need to do is select ten companies or consumers potentially interested in your product. Prepare 5-10 questions identifying your problem and frankly tell the interviewee why you are asking the questions. You will normally be met with great helpfulness.

It can be an odd feeling asking chance passers-by for help, but it really is worth the embarrassment because it makes it a whole lot easier to run your business afterwards. Your consequential level of customer knowledge increases considerably.

You will gain so much information about your potential customer if you talk to five of them. It can make a world of difference.

Do you have the nerve to go and talk to the potential customer?

Consumers

Usually, there is a notable difference in purchasing patterns between consumers and corporate customers. Below is a tool for an insight into the mind of a consumer.

Generally, consumers are less rational than corporate customers when deciding which product to buy. Four principal factors influence a consumer's choice of product/service:

1. Cultural factors - subculture, social class, religion, nationality etc.
2. Social factors - family, role, status, etc.
3. Personal factors - gender, age, lifestyle, financial situation, personality, image, etc.
4. Psychological factors - need engendered motivation, "voices" from one's sub-consciousness, or satisfaction optimisation, etc.

Consumer segmentation

For a new company it is rarely possible to reach all consumers at one time. You have to choose special groups of consumers. It is called segmentation.

You can seek to segment or categorise by various criteria:

- Geography - city, country, district, street
- Education – skilled, unskilled
- Occupation - doctors, lorry drivers, teachers
- Age – children, youngsters, middle age, retired people
- Sex – men or women
- Leased or owner-occupied housing

Corporate Customers

There is a notable difference between selling to companies and private individuals. Below is an angle of approaches to the producer market.

Producer market characteristics:

- Few buyers in relation to total number of consumers
- Large-scale orders
- A relationship between buyer and seller can be established
- Potential customers are easy to single out/segment

- More persons are involved in a purchase
- Professional purchasing methods based on information and rationality
- Focus is on price and cost-saving

Purchase Methods

Three pervading purchasing principles are applied by companies:

1. Straight re-buy - you buy the same as usual. Usually office supplies, coffee, etc.
2. Substantial repurchase - before buying, you consider whether the requirement, design, or technology has changed since last time. This could be PCs, courses, or technological equipment.
3. New purchase - you want to check the market for the most favourable offer meeting the requirements set out by the company

Example

A new purchase or repurchase in the producer market can be illustrated in terms of a company wanting to replace their warehouse door.

1) Problem identification

The company identifies its problem: We need a warehouse door, or: Our main warehouse door is defective. Will the budget allow for such a purchase?

2) Determination of requirement characteristics

The company defines its requirement: Should the door be manually operated, or should it be automatically activated by photocells?

3) Product specifications

The company determines the type of door needed: Size? Metal or another material?

4) Tracking down potential suppliers

The company checks their supplier file: Where did we get the existing door? Or: Who supplies warehouse doors?

5) Making analysis and obtaining quotations

The company may ask you and other potential suppliers to come and take measurements for the door. The company requests a quotation for the delivery of the door, and may also ask you to state references.

6) Evaluation and negotiation of quotation and choice of supplier

The company compares the quotations received: Which one is cheapest? The most expensive? Will we get value for money? Advantages and disadvantages of both? Any guarantee that you or another supplier will be able to carry out the task proficiently?

7) Placing an order

The company chooses a supplier and rejects those not chosen.

8) Check-ups on supplier and delivery

The company follows up on its order: Will you be able to deliver the door on time? The company tests whether the door functions according to their order.

A similar process would be applied if the company were to commission a large translation project, a company progress report, or implementation of a new accounting system.

Of course, if the manager is your uncle then you might not have to go through all of these steps.

Realistic number of customers

It can be fairly easy to estimate the potential amount of customers. But how many will actually want to take money out of their purse and pay you for your product or service? This is much more difficult to estimate.

To come up with a qualified guess you could interview 50 potential customers. Ask them whether they want to buy your product instead of the one they are using at the moment. Hopefully, 50% will say yes.

Other issues that could determine a realistic number:

- Your location such as close to the railway station is very good, so 100 customers per day will be realistic.
- You can sell the same product 40% cheaper because of improved effectiveness - this attracts customers.
- You have found a 'gap' in the market so there are no competitors.
- Heavy marketing and PR for the first four weeks should open the market up.
- Maybe you are so lucky that the first customer is your old workplace, who has already bought 500 hours of work from you.

Don't make unrealistic estimations in your business plan. Everybody can see through an unrealistic number, or at least investors, staff from the bank and other businessmen can.

A Sports Bar and Cafe could write in their business plan:

- Because of its new value, our powerful marketing campaign and our close relationship with the local sports club, we expect full house most of the week. In the cafe we have room for 150 persons/chairs. From Monday to Wednesday we expect 60% occupied chairs. They will be occupied 2 times during the day. Thursday to Sunday 80

% occupied chairs. They will be occupied 3 times during the day. Each customer will spend an average of \$20.

Competitive parameters

Competitive parameters are the things that make the customer buy the specific product. Depending on the product, the competitive parameters will be different. Different lines of business have different parameters.

In some areas the price is the most important competitive parameter. The more competitive the line of business, the more important the price. In a street full of restaurants, price will often be the bait for customers.

It is very easy to copy a competitive parameter when price is the only one. The only thing you have to do is to change the price label.

You can sell on something else other than price. Some things that are very difficult to copy are:

- Trust - if the customer trusts that you can fix the computer problem without damaging any financial data
- Efficiency - when it is important that a problem is solved fast - 10 days is too long
- Good design - the customer feels he is getting something extra
- Health - you serve fresh and organic meals
- Feelings - you give something original - the customer is precious

What parameters do you have except from price?

Possibilities and threats in the market

Sometimes the market hands a company opportunities it was not previously aware of. For instance, the government could make a new law, saying that everybody has to wear a mask protecting themselves against smog. If you are selling masks, this law has given you a huge selling opportunity.

Also, things in the world affect the market. A catastrophe like an explosion in a chemical factory that pollutes a river, changing fashion trends, or more purchasing power in society in general. These might all change the market you are in. However, for one company, these things might be a possibility, for others a threat.

Always keep an eye on the newspaper, the television, listen to discussions. Use your common sense. Compare the input you get with the company you are running. Maybe sometimes you can foresee where the market is going?

You can't change the things that are happening in the market. You can adjust your company to them.

Sales and marketing

In this paragraph in the business plan you are supposed to describe how you will get in contact with the customers you have identified.

Experience shows that the most difficult thing about starting a business is to find a sufficient amount of customers - customers who want to buy your product or service.

It can be difficult to get the right stamps from the authority, raise enough money to get started, find out how to make proper accounts, make prototypes, hire staff and calculate the tax. However, if the customers waiting in line outside your business wanted to buy your product then most of the problems would disappear.

The administrative problems would not disappear, but you would (because of the good sales) have earned sufficient money to hire people to do the administrative work for you.

If you have no customers you have no income. So make sure to have a focus on sales and marketing when starting a business.

There are a lot of ways in which you can make yourself visible for your potential customers. Pick the ones which are most suitable for your company.

Family network

Maybe your father, uncle or cousin can open doors for you. It is very helpful if a relative beforehand has introduced you to potential customer in advance. The customer will listen more carefully to your offer if he knows someone in your family. This is probably because he thinks that you are not likely to cheat him.

Do not misuse this trust.

Network

Search your mind for all the people you have met in your life. Have you been a good friend or colleague to the ones you knew and to the ones you know today? If you have, they will be good ambassadors for you and your business.

Search your mind for old school friends, study friends from college and University, colleagues from former workplaces, buddies from football or cricket, roommates from your study year abroad and maybe relatives you only met once at a wedding.

Send them an e-mail or a personal letter saying that you have now opened your own business. If they can find ways to help your business grow they will normally do so, because they like you as a person.

Business logo

To make your communication look professional you should make a logo, business card, web site and other important information about your company.

A logo is a good thing. It gives you a “good feeling” and the right logo can signal what your company is doing. Spending time on finding the right logo makes you consider what expression you want to give your company.

However, on the other hand a logo is not essential for the survival of your company.

Contact a graphic designer or find one of the many and cheap online designers of logos.

Business card

When you have chosen a logo this can be used on your business card. A business card is one of the most essential communication tools you have. It introduces you to potential

customers and it gives the people a chance to remember you when you have left.

Business cards can be bought online at reasonable prices or for best result contact a graphic designer.

Business paper

The business paper can be used for letters as well as for invoices. Again you can use your logo on the business paper together with your name and address.

The business paper will often be a template on your computer. Then you can print letters on demand.

Website

If just a few of your customers have access to a PC with internet you need to create your own website. If the web site is not yet the main communication tool for your line of business it will be in a few years.

Restaurants, carpenters, consultants, production companies, cleaning companies all need a website. It is becoming a routine to check a company's profile on the web, so make sure yours is presented the best way.

You could start with a small website. Maybe just one page with your business card enlarged on it.

REMEMBER to register your company name as a domain on the internet – for instance **www.YourCompanyName.com**. If it is occupied chose another company name.

Creating your company's website is an extremely good exercise when developing your new business. Knowing that many people have the possibility to look at it forces you to focus hard on what you want to tell the public about your

“new baby” - your company. Making the content of a website is a process similar to making a business plan.

Sales Letter

A sales letter to a potential customer must be written in a way that catches the reader's interest right away.

A sales letter is a powerful and direct way of communication. You are getting close to your customers, thus making a base for sales. Furthermore, it is a marketing advantage, as you are able to approach potential customers without your competitors' knowledge.

Before mailing out sales letters it is important that you have gathered as much information on the customer as possible. The greater knowledge of a potential customer, the better. To optimise your sale tenfold you could phone the receiver of the sales letter afterwards.

E-mail

Email as a sales tool must be used with the outmost care. Spam mail is unacceptable. Email sent to hundreds of strangers shows the receiver of the email that your company is not a serious one.

You can send an email talking about your company to the people you have already had some contact with.

On your website you can make a contact form urging the visitor to sign up for a free newsletter. It is a cheap and effective way of keeping in touch with potential customers.

Telemarketing

A telephone is an important marketing tool and is a relatively quick and cost effective way to approach customers. Whether telemarketing is the right thing for you depends on what you

want to achieve with the telephone call, your skills as a telephone marketer and other certain aspects of your product/service.

If your product/service is well-known to the customer then there is no hindrance to using the telephone for sales purposes. However, if you are approaching a new customer or if you are introducing a new product/service, it might be better to make an appointment first.

Advertisement

There are many places where you can put in an advertisement. It is normally rather expensive for a new business to use advertisements because the response is usually poor. One advertisement doesn't make a response. You have to put in several advertisements before the reader starts noticing it.

An advertisement can't stand alone so you have to combine it with other marketing activities.

An advertisement can be put in a national newspaper, the town's newspaper or the suburb paper. A telephone book or the town's official web site might be a place. Also, trade paper, trade magazine and other focused papers are an option too.

Photocopied advertisements to be placed in shops, light posts, cafes and office buildings are a cheap way to get the word out about your company.

Online advertisement

Maybe online advertisement is better suited for your business? It is often cheaper and gives you better value for money using specific web sites as your advertisement platform. Google and Facebook have ads that only will pop-up if the user is interested in your product or service. If a user click on your add you will be charged a certain fee.

There are many other international and local websites that have similar advertisement systems.

Active on social media

Another way to promote yourself and your business is to be active on the many different social platforms. If you are skilled in a specific topic you should talk about it in forums or create your own Facebook page where you discuss with customers.

Signposting

If you have a restaurant, a shop, a car or other public show possibilities, then these have to be used to their optimum. They will be free of charge and will hopefully attract the customer.

You could also hire a man to carry a sandwich sign showing the way to your restaurant or to your website.

Presentation folders

Before the invention of the internet, folders were the main way to present many products. Today it is quite common to have print outs from the internet, presenting the product or service, or even just wording on the business card stating that all information can be found on the company's website. The new business can save a lot of money using the principle of 'all information to be found on the web'.

If you make your website the place where all new and old information is stored there will never be any obsolete information in circulation. You can even print nice product information direct from the website if you need to bring paper presentation to a sales meeting.

However, some companies - depending on the line of trade - must produce four coloured presentation folders. If not, the

company will not be recognised as a professional trade partner.

Radio and TV

A powerful medium is TV. Depending on the product or service, radio is also an option. If you buy airtime on television you will reach many people at one time. The viewer will actually understand/ look at your product. If your product is one the viewer wants you will get a huge sale here and now. However, it is expensive and a new company very seldom has the kind of money that is needed to buy air time.

Radio is cheaper. If you have a product meant for the public in the local area there might a local radio to approach. Local radios can be reachable for new businesses.

Trade fairs

Sometimes a trade fair is the best place to display ones product or service. There are many different kinds of trade fairs. There are trade fairs for computers, garden furniture, bamboo products, convenience food, farmer equipment, toys and baby products. Each line of trade probably has their own trade fair. Some trade fairs are national oriented while others are oriented to the global market.

On the internet you can find the trade fair that suits you. If you Google "trade fair Malaysia" more than 350 links are shown. Try to Google trade fairs from your country.

Public Relation

The very best marketing you can get is a presentation in a newspaper, magazine, radio or television. It makes your company very trustworthy that a journalist has interviewed

you and written about your product or service, or about you as a person.

It is rather difficult to catch the eye of a journalist. You need to deliver something special that will interest the newspaper's readers.

If you live in an area where people know each other, then the local newspaper might find it interesting that 'The son of Mr. Wu takes over the restaurant'.

National papers want bigger news or news that is in line with an official policy. If you, after two years of study in Denmark, start exporting merchandise from the Beijing Opera, a headline for a national newspaper could be "Scholarship in Scandinavia opens new ground for export to Europe".

Reception at business start

It can be a good idea to gather friends, former colleagues, family, business associates, the press and other to an opening ceremony. You can make a small event at your new premises or make it into a big bang at the local stadium. It all depends on you as a person and in what line of trade you are in.

A reception is a way of telling the world that you are around and that you have started a new life as a businessman. Your time as a student, employee - or unemployment is over. A new chapter in your life has started.

Influence on Sales

There is no one recipe that marketing experts can give you to make your products or services a great sales success. Various business operation parameters must be utilised to influence sales, and you and your helpers will be the ones who decide which parameters to use.

Ideally, a total optimisation of sales would be to add the necessary resources to each parameter at the right time. The big questions are: What are the necessary resources? When is the right time?

1) Fundamental sales affecting parameters:

- Product design - product/service quality
- Packaging - design, homogeneity, signalling environmental friendliness, recyclability, usefulness
- Product range - wide, deep, trade specific
- Price - pricing, psychological prices, sale, market-based price, etc.
- Payment terms - cash, credit, discounts, etc.
- Service - obligations to buyer, right of return, e-services, pre-delivery, after-sales
- Location - near customers, near wholesaler, arbitrary
- Staff - conduct, knowledge, expertise, specialisation, attitude
- Distribution - direct/indirect sales, retail concept, co-operative purchasing association, sales van, packaging, physical transportation, etc.

2) Communication parameters

- Advertising - advertisements, printed matter, internet, catalogues, brochures, magazines, flyers, cinema/TV/radio commercials, traffic adverts, shop displays, exhibition guides, signing, promotional gifts, etc.
- Sales promotion - sample products, introductory offer, demonstration, delivery on approval, in-store displays...
- Public relations - publicity, storytelling, press releases, events, educational material...
- Fair and exhibition showcasing

- Sponsorship - providing sponsorship for culture, sports, and environment
- Personal sales promotion - sales letters, cold calling, direct mailing

Marketing Plan

A marketing plan is a tool enabling your business to get as much value as possible for any money you spend on marketing.

Many businesses choose to approach the market randomly. Unfortunately, this attitude often results in waste of resources. A marketing plan can help structure the actions.

Before you start

If you are approaching a new target group it is wise to double-check if you have selected the ideal target group.

- Estimate the size of the target group – how big quantities will you be able to sell?
- Is there a demand for your product/service within the target group?
- Will you be able to meet the requirements of the target group? (quality, service, price level, etc.)
- Assess the competition – is the market characterised by tough competition?
- What are the future prospects of the target group?

If you estimate a sound correlation between your marketing costs and your earnings potential (commercial viability) you can go ahead with the planning.

Marketing material

It is important to have the necessary materials ready before initiating your marketing. There is no point in starting before you have sorted out business cards, stationery, brochures, and a website, etc.

Some activities may suit your product/service and target group better than others. Always remember to relate expenses to earnings potential. Do not use expensive TV commercials to sell cheap pencils which are only sold in 50 shops.

Working out a Marketing Plan

Working out a schematic overview gives you the best control of your activities:

1. Action plan for sales- and marketing activities

Write how you will manage the marketing in your business month by month. You might have an underlying description of the activities on another sheet of paper. When all the months are filled in you will have a good view of how you promote your business.

2. Calendar that shows what and when the activities will take place

Focuses on what you want to do and when you will do it. It always helps to put dates on the activities if you want to get it done. When filled out you can overview if you have the resources to execute your plans. If your marketing plan is not too complex you might do action plan and leave out the calendar.

Month	Activity we will implement	Dead-line	Re- sponc
January	- End of January meeting with one of the larges retailer - Shop-in-Shop concept. - Update web site (every month)	31/1	Amish Charu
February	- Participate in the national kitchen utensils trade fair. - At the sales pitch: "Give us your business card - Establish two home parties - All contacts from the trade fair must be contacted - Update web site	2/2 15/2 27/2	Amish Charu Charu Amish Charu
March	- Newsletter module must be bought - Update web site	30/3 30/3	Charu Charu
April	- PR articles are sent to provincial news papers - Follow up on PR articles - Update web site	20/4 30/4	Charu Amish Charu
May	- Go through costumer database and find bad costumers - Arrange photo shooting for new catalogue - Update web site	30/5 20/5	Charu Amish Charu
June	- Concept for "New Year gifts" – focus on local businesses - New Year and Christmas sales are prepared.	25/6 30/6	Amish Amish

Download Marketing Plan template

You can download a free marketing plan template from www.dynamicbusinessplan.com It is not rocket science to develop a marketing plan, it is common sense. Use the template as guideline to develop your marketing plan

Notes

Marketing and activity planning is not something to be carried out only once. Your marketing plan must undergo regular updates and adjustments. It is also necessary to run regular evaluations of the impact of your activities. What is the feedback on your advertisement? Is the number of inquiries commensurate with the marketing effort?

In connection with the planning you should also consider which activities to handle by yourself and which you need professional assistance for. Also, it is important to not launch more activities than you will be able to follow up on.

Organisation of the company

Under this item in the business plan you describe how you organise the daily work in your new business. This includes which kind of legal structure you choose, how to manage your finances, business and staff policies, etc.

Legal structure of company

Countries choose different ways of organising the legal structure of business life. Therefore, you have to contact your local authority in order to find out how your country organises the business society.

Throughout most parts of world, three predominant main types of legal forms are used to run small business organisations. These forms are as follows:

- Sole proprietorship - where generally only one person funds the business activities
- Partnerships - where two or more people band together to finance or run a venture
- Corporations/limited companies - where it is possible for a few friends/family members or up to many thousands to subscribe for a share in business ownership

Sole proprietorship

The vast majority of new businesses are set up as sole proprietors. The form is normally formality-free; there are no rules about the records you have to keep. Nor is there a requirement for your accounts to be audited or for financial information on your business to be filed at the registrar of companies. You still have to pay tax from the profit.

The biggest disadvantage of being a sole trader is that you are totally responsible for any debts your business incurs. If you go bankrupt, your creditors are entitled to seize and sell your possessions - personal as well as business.

Partnerships

Partnerships are effectively collections of sole proprietors and, thus, there are legal issues related to personal liability. There are very few restrictions to setting up a business with another person (or persons) in partnership, and several definite advantages. By pooling resources together you may have more capital. You will be bringing several sets of skills to the business, and if you get ill the business can still carry on.

The biggest disadvantage is if your partner makes a business mistake. This could perhaps be by your partner signing a disastrous contract without your knowledge or consent. Every member of the partnership must shoulder the consequences equally. Under these circumstances your personal assets could be taken in order to pay the creditors - even though the mistake was by no fault of your own.

Limited Liability Companies

As the name suggests, in this form of business your liability is limited to the amount you contribute by way of share capital.

A Limited Liability Company is a separate legal entity, distinct from both its shareholders, directors and managers. The liability of the shareholders is limited to the amount paid or unpaid on issued share capital.

However, many restrictions are put on the company. It must maintain certain books of accounts. Appoint an auditor and file an annual return with the registrar of companies which includes the accounts as well as details of directors and mortgages.

The biggest disadvantage is that it is more expensive to set up and there are more rules to follow.

How you actually register your company depends on the country you live in. Contact the authority for further information.

Bank

As soon as you register your business you should open a separate bank account for it. Do not pay for business expenses from your personal accounts.

Also, withdraw your personal expenses (your salary) regularly from the business accounts, and withdraw no more money for your personal use than your company is able to generate in profit. The profit of your company is your “salary”. If there is no profit there will not be money to your salary.

If possible, make all your transactions through your bank. It makes your financial administration easy.

Accountant

If you start a small company with just one employee you will probably be your own accountant. The company will grow and you hire more staff. More activity in the company is generated. Then it becomes difficult for you to do your own accounts. You should get someone to take care of your financial accounting.

Then, you can focus on business development and sales.

You could hire an accountant or source it out to an accountancy firm.

Remember that you still have the responsibility for your finances.

Administrative routines - paperwork

Many entrepreneurs find the paperwork “a killer” for the business.

They prefer to 'work' which means build the house, serve the guests in the restaurant or produce biochemical products. However, in order to “work” properly, the paperwork has to be in order.

You need to build up routines that take care of at least the following administrative topics:

- Control of bills concerning income and expenses
- Regular bookkeeping of the bills
- Handle tax/sales tax and other obligations given by the state
- Send out bills to customers
- Pay bills from suppliers
- Management of salary to employees
- Regularly overlook the profit and loss statements
- Order new products
- Writing letters
- Answer the telephone / e-mails

Find booklet at www.DynamicBusinessPlan.com addressing these topics

Business policies

Business policies are a set of rules you have decided upon in order to make your company run smoothly. A customer or business partner asks you for discount or length of guarantee and if you have to answer 'Well I don't know, I have to think about it' then it will not make you look professional. Make up your mind and formulate policies for at least the following issues:

- Pricing
- Discount
- Terms of payment
- Guarantee
- Customer service
- Environmental issues

Staff policy

If you have any export expectations it will be a good idea from the start to focus on your staff policy. Not only the ones in your own business but also for staff in companies you have subcontracted with.

Many foreign customers will ask if you can present social accountability in your business. The consumers in Europe, US, Australia and other places ask for products produced with respect for the labour force. So, in order to sell your products you must treat your staff in accordance with international agreements.

Social accountability

Social accountability means that you for instance follow some of the ILO conventions. ILO is the International Labour Organisation. You have to prove that there is:

- No child labour in the production
- No Forced Labour
- Basic Occupational Health & Safety schemes
- Secure Freedom of Association and Right to Collective Bargaining
- No Discrimination
- No Disciplinary Practices - no use or support the use of corporal punishment, etc.

- An average of max. 48 working hours per week - rest at least one day

Insurance

When running a business you must take out proper insurance to minimise your risk. Which and how many insurances you need varies from one business to another.

Each type of insurance may have different names at different insurance companies. Insurance can be divided into three categories

- Insurance prescribed by national law
- Insurance for the owner
- Insurance which minimises the company's risk

Thus, you must investigate the coverage of each individual insurance. This is often hard work.

Insurance prescribed by national law

Insurance prescribed by national law differs from country to country. But usually it is compulsory to take out insurance for ones staff. The insurance should cover injury at work, health problems, death and other personal problems which affect the employee and his or her family.

Insurance for the owner

If you start a personally owned company you as a person are seldom covered by the insurance for the company. You are the owner and not an employee. Therefore you have an insurance which covers any injuries inflicted on you while working in your own company.

Insurance which minimises the company's risk

The insurance companies can deliver whatever insurance you can think of. It is just a matter of the price for the

insurance policy. Therefore you have to consider what kind of risk you can accept. This is called risk management. The most normal insurances to take are:

- Professional indemnity insurance - covers damages you may cause as an effect of your business
- Insurance against loss by fire, theft and water damage
- Consequential loss insurance covers the profit loss resulting from long term business interruption
- Project insurance - dedicated to one individual large-scale construction project
- Transport insurance- companies with large freight needs should take out proper insurance

You could contact insurance consultancies specialised in business consulting that can help you find the best possible coverage at the lowest cost. Some consultancies are definitely serious, but, like within other trades, here you also risk running into some who are not.

Another solution is to ask your accountant. Only a few accountants are insurance experts, however most are fairly experienced in the field.

Localisation

Where would the appropriate place to locate your business be? Many factors have to be taken into consideration, e.g.:

- Close to home
- At home
- Access to fast internet broadband
- Close to shopping centre or public transport
- Access to well-educated staff
- Access to unskilled workers
- Close to airport, highways or harbour
- Low crime

- Close to market
- Other

Business partners /consultants

Being the owner of your own small company can be very lonesome. If you were one of the staff you would have had colleagues. But you are the owner.

You have a totally different role than the rest. No one comes and tells you that you have done a good job; or tells you if something is terribly wrong in the way you do things. Therefore it can be an idea to find people who you can consult with to discuss more personal issues and the business at a strategic level.

Who will be your strategic partner?

Business development

It can be very difficult to think 3-5 years ahead, because you are in the middle of developing ideas concerning your new business.

As a business owner it can help you in your daily and practical work if you have a vision of the future. You will in your daily work encounter problems dealing with government offices, customers that will not pay, suppliers that deliver the wrong items, staff that don't perform well, a family that wants you more at home, relatives who want to take advantage of their "rich" cousin or financial figures showing fewer sales than anticipated. At these times it is nice to have future plans and visions of "better times" to grip hold of.

Try to imagine that you board a helicopter. You fly up and look down at this new business of yours. You think: "How would I like my business to look in three years' time?"

Business appearance in one and in three years

In order to start your business you might have had to lower your ambitions compared to what you have in your thoughts and dreams. Maybe lack of funds forced you to lower your ambitions. But you want to fulfil your ambitions within three years.

You have to start in a side street with only family as staff. In three years you want to relocate to the high street with five paid employees.

Or, instead of having one old van selling 'Freshly caught and filled fish' your vision is to have a fleet of 20 nice looking vans driving round the suburbs of the newly rich areas selling to the busy working housewives.

How do you see your business in one year and in three years?

The product or service in one and in three years

Some business owners have to sell stuff that they don't actually like to sell. It is sometimes the only way to get started.

Maybe the customers want what you are selling but you do not have the passion for it. It may only be a way to earn a decent living. From selling cheap and low quality computers on a big scale, you want to sell fewer but more expensive computers. This should be combined with a high service such as installing them in companies' offices or in private homes.

How do you see your product or service in one year and in three years?

Customers in one and in three years

Maybe you have started with one kind of customer that you knew about from your former work, or maybe your old company is your first customer, but you like to move on and find more and newer customers.

You could be a graphic designer who is producing sales pamphlets for one big supermarket chain. It is done week after week, and you find it rather monotonous. You like to use your skills in a more diverse way such as making posters, sales campaigns or prospects for all sorts of different companies.

Who are your customers in one year and in three years?

Financial forecast for year three and year four

Try to set figures on your visions. It is not easy to convert dreams and visions to exact figures but it helps in making them reachable.

When you have made your operating budget for year one (see later) you could make a copy of this. Then you could change the relevant figures so they match your long term plans.

Other goals with your business

Modern entrepreneurs often set other goals for their business rather than just profit and managerial issues.

Some look upon themselves as so privileged that they have the personal strength to help the local community by enhancing the educational level, and to take part in other social activities.

Others secure better working condition for their workers than the average business owner. Others make sure that their production does not pollute the local river or damage the worker.

Do you have any special goals for your business?

Budgets

By means of budgets it is possible to calculate how much it costs to set up a business and how much it costs to keep the business running.

Budgets, for many entrepreneurs, are one of the worst things about starting. They are afraid of it and think that only accountants can make budgets. It is not true. Budgets are rather simple to make. It is simple addition and multiplication. Just take one expense at a time.

Budgeting is easy

For a start-up company you might need to purchase five chairs for the office at \$50 each.

The line in the budget will say:

- 5 chairs x \$50 = \$250.

Other expenses must be calculated in the same way. When you have gathered all your expenses, you add them together. By doing this you have made a budget for all your expenses.

Budgets are tools you need in order to figure out your business's establishing and operating cost. If you are able to use a spread sheet it becomes much easier to make your budgets.

Spread sheet

A spread sheet is a computer program like e.g. word processing programmes such as Microsoft Word. Word helps you create text.

Microsoft Excel is a spread sheet programme. Excel helps you calculate figures – and in turn a budget.

Basically, you need three budgets:

Establishing Budget

In order to estimate how much money you need before the start-up of the business, you must work out an establishing budget.

The establishing budget provides an overview of necessary expenses incurred right up until the business start. It is not until after start that you will be able to gain an income.

Operating Budget

The operating budget provides an overview of the costs of running your business. The operating budget gives you an overview of the company's day-to-day expenses. It also gives you a chance to calculate an estimated turnover.

When all the expenses for a year are added together and subtracted from the income, you will get the profit and loss statement. The profit in the company is your 'salary'. Profit is what you can take out of the company for personal use.

Cash Flow Budget

In order to figure out your need of cash at the end of each month you have to work out a cash flow budget.

A cash flow budget is a chronological overview of expected income and expenses over a given period of time – often a month.

Other budgets

Besides using budgets to calculate capital requirement it is also expedient to make budgets to foresee financial effects from the start-up as well as the operation.

You can make an “optimistic” budget – i.e. a budget in which the start is estimated to be better than anticipated – and you will gain turnover/sales exceeding your expectations.

Likewise, a “pessimistic” budget takes a slower than anticipated start-up phase into account. In both cases it is interesting to look in detail at the effects on cash flow, capacity, physical frames of the business as well as other areas affected by changes in the expected position.

By making various alternative budgets you will, to a larger extent, be able to control the financial development of your company.

You can constantly monitor if things go as planned, whether you are over or under the budgets you have worked out. Thus, you get a warning to act, make decisions or take new initiatives in response to the new financial situation.

You will find excel spread sheets with pre-defined budgets at **www.DynamicBusinessPlan.com**

Establishing a budget

In order to estimate necessary and suitable costs prior to start-up, you must work out an establishing budget. How big the establishing costs get depends on what kind of company you want to start.

If you want to start a consultancy firm working in human resource development you might only need a telephone, a computer and education/skills in human resources. You probably have the education/skills and if you start the business from home; the only expenses you need to start is a PC and a telephone. The start will then be rather inexpensive.

On the other hand if you want to start a production making electronic devices your establishing budget will be high. Before you can start selling your electronic devices you need a production building, machinery, packing facilities, skilled staff, a stock of electric components, office equipment and...this may cost millions.

What expenses do you meet?

Below you find some of the most usual expenses when starting a business. Delete the ones you do not encounter in your new company.

Remember: The less expenses the better. All expenses have to be paid from the profit in your new business.

Premises

- Rent
- Deposit for purchase of premises or business
- Deposit (e.g. 3 months' rent)
- Goodwill - payment to the former owner for his work at the premises
- Furnishing and renovation

Production equipment

- Machinery
- Tools
- Other things

Shop fittings

- Cash register
- Counter
- Other things

Office fittings

- Furniture (desk, swivel chair, shelves etc.)
- Computer (printer, network)
- Telephone
- Fax machine
- Copying machine
- Other things:

Purchase before start

- Raw materials/semi manufactured
- Manufactured goods (stock)
- Stationery

Other things:

- Car
- Deposit
- Other acquisition costs

Counsellors

- Lawyer
- Accountant
- Other

Marketing

- Writing paper, business cards
- Brochures
- Advertisement
- Signposting
- Opening reception
- Other things

Other expenses

- Application for a patent/registration
- Other things

Total costs are:

All the costs you get in the establishing budget will at a later stage be transferred to your operating budget. Bigger investments will be transferred to the company's balance sheet.

The establishing budget is a snapshot of the cost you get before you can start operating your company.

You will find excel spread sheets with a pre-defined establishing budget at www.DynamicBusinessPlan.com

Operating budget

The operating budget provides an overview of the costs of running your business. In other words, the operating budget gives you an overview of the company's day-to-day expenses and income. It gives you a chance to calculate an estimated profit.

Structure of the operation budget

All operating budgets for a commercial company follow this structure:

Sale / Turnover
- Variable costs / used goods
= Gross profit
- Fixed costs
- Depreciation
- Interests
= Profit

Sale/Turnover

Sale/turnover means the 'the money you receive from the customers' when they have purchased a product or service from you.

- If you sell 10 pairs of shoes at \$100 your sale / turnover will be \$1.000
- If you sell 5 hours of consultancy service at \$75 per hour your sale /turnover will be \$375.

Any sales tax will not be a part of the budget. Sales tax will be accounted for separately.

Variable costs / used goods

In the second line of the operating budget deduct all expenses directly connected with the sale. The more you sell the higher variable costs.

- If you expect to sell 10 pair of shoes you have to buy 10 pair of shoes.
- If you expect to sell 7.000 pair of shoes you have to buy 7.000 pair of shoes.

The buying of shoes is directly connected with the selling of shoes (used goods).

If you produce leather shoes you have to buy leather (raw material). The purchase of leather will show as variable costs/used goods in the budget.

Consultants rarely have expenses concerning the “variable costs / used goods”. e.g. an accountant has few direct expenses in producing the yearly accounts for a client, say maybe 20 sheets of paper. They use “hours of work”. This expense will be found under Fixed Costs.

Gross profit

The difference between Sale and Variable Cost is called Gross Profit. It shows how much money you have got left to pay your rent, telephone, internet access, marketing and your own pay.

It is important to have focus on that figure. If you do not have a sufficiently high Gross Profit you have a bad business. Always try to optimise your Gross Profit. Gross Profit is also called the contribution margin.

Fixed costs

Fixed costs will usually not be bigger if you sell more, and not smaller when you sell less. The rent of the shoe shop will be the same whether you sell 10 pairs of shoes or 150 pair of shoes.

The staff can sell 150 shoes. But they only sell 10 pairs. It takes time to lay off staff so it is considered as a Fixed cost. Fixed costs can be variable - like a telephone bill. It is because it does not vary with sales volume. The variation is due to other circumstances than the sales volume.

Below you find examples of fixed costs.

Write off/depreciation

You invest in a new building for your business, or you purchase a 10 thousand dollar machine. These big investments you cannot deduct in the accounts the first year. The investment must be spread out over several years. One way to do it is to deduct (write off) 30% of the value every year.

- E.g. A machine cost \$10.000.
 - Year 1 you can deduct \$3.000 in the operating budget (30 % of 10.000).
 - Year 2 you can deduct \$2.100 ($10.000 - 3.000 = 7.000$.
30% of 7.000 = 2.100)

For specific rules in your country contact an accountant or the relevant authorities.

Interest

If you borrow money in a bank you can deduct the interest in the operating budget. Also the different rates the bank charges for their work can be deducted.

Interest for money borrowed from family or other sources can usually not be deducted.

For specific rules in your country contact an accountant or the relevant authorities.

Operating budget – an example

Below you can find different types of expenses. Maybe your company does not have all the expenses. Then just delete the expense. Maybe you have another expense. Then just put it in the budget. The budget must reflect your company.

The budget follows the structure explained below.

Sale / Turnover

- Sale of product / service no. 1
- Sale of product / service no. 2
- Sale of product /service no. ... Estimate sale for each major product /service

Variable costs

- Materials - raw materials and finished products which you use for production or sale
- Salary - only for workers in production
- Transport costs - and any costs related to transport of the raw materials and finished products

Fixed costs

- Wages - for staff in shops and offices
- Rent - for buildings
- Electricity, heat, water
- Renovation and maintenance of buildings
- Cleaning
- Car service/mileage allowance
- Travel costs
- Stationary telephone
- Postage and charges
- Mobile phone
- Internet-connection

- Website subscription/hosting and upgrading
- Marketing/advertisement/advertising
- Meeting expenses
- Insurances
- Computer equipment
- Computer network
- Leasing-expenses
- Minor purchases
- Maintenance
- Accountant
- Lawyer
- Other consultancy
- Unexpected costs (5% of costs)

Interest

- Interest on bank loan
- Interest on overdraft facility
- Other interest

Write-off/depreciation

- Plant/buildings
- Machinery
- Other things

You will find an excel spread sheet with a pre-defined Operating budget at www.DynamicBusinessPlan.com

Cash Flow Budget

The cash flow budget tells if you have sufficient money to pay your bills at the end of the month.

A cash flow budget is a chronological overview of expected income and expenses over a given period of time. The cash flow budget looks much like the operating budget. It has many of the same categories.

The cash flow budget focuses on the cash (money) that actually has to be taken out of the cash box or the bank - cash to pay salary or debtors. It also focuses on cash that is actually received from customers - cash you can see in the cash box or in a bank statement.

Capital requirement

A cash flow budget shows a company's monthly capital requirement. Some months there might be lack of cash to keep the business in operation. If the cash flow budget shows a lack of money at the end of a month you have to find the money which is needed. It can be found in different ways:

- You can borrow more money from the bank
- You can make your debtors pay earlier
- You can delay the payment to your suppliers
- You can cut down expenses
- You can postpone a larger investment
- You can stop withdrawing money to yourself
- You can introduce 'cash on delivery'
- You can combine all of the possibilities

The establishing and operating budget are fairly easy to make for "no- accountants". The cash flow budget is a bit more difficult. There are more unknown figures to calculate and evaluate. This demands a clear view of the budgets. However, it is still basically common sense so you can do it.

You will find an excel spread sheets with a pre-defined cash flow budget at **www.DynamicBusinessPlan.com**

Financing

In short, financing is the answer to the question of “Where do I find the money I need to make my business operational?”

The way you calculate the company’s capital requirement is:

- Take the total from the Establishing budget
- Add the biggest cash deficit from the cash flow budget
- Together, the two show the company’s capital requirement

The figure you end up with will have to be financed one way or the other. The financing can come from:

- Personal resources
- Families and friends
- Banks
- Investors
- Public funding schemes
- Suppliers giving credits
- Other

Sufficient cash

Being able to anticipate the capital needed to carry out work in the business is of crucial importance. If you are short of capital to carry out your plans it can be terminal to your business.

Cash crisis is often a killer of new businesses.

Obviously, there are many reasons why a company runs short of cash, but one reason can be that the entrepreneur has not been able to raise enough funds to meet the actual financial requirements arising after the setting up.

This problem is avoided by securing that your business is injected enough capital to meet its requirements. The two most frequent reasons that a company is undercapitalised are:

- From the beginning the entrepreneur has sought to save money or limit the expenses
- Sales are slower than anticipated – consequently, the entrepreneur runs into cash problems due to lack of income

Penny-pinching

Generally, limiting expenses or saving money is not advisable as this also limits the firms activities and ability to progress. Thus, you must anticipate the necessary costs of realising your concept and you should not doubt the necessity of such scheduled costs.

Poor Sales

Oftentimes, getting things up and running takes longer than anticipated. Starting up as an entrepreneur, you first have to gain a competitive profile, call attention to your existence and your competencies, convince customers of your expertise, etc.

This is time-consuming - VERY time consuming! If you think it will take six months to get sufficient customers you should multiply this by at least two, just to be on the safe side.

Therefore, it is important that you have enough capital to stand up to the hard and financially sluggish initial period. You can take this penetration phase into account in your budgets by budgeting pessimistically or set forth a worst-case-scenario.

Its purpose is to identify the worst possible situation for your company (slower sales than anticipated or non-existent sales) and try to estimate the cost of such a situation.

The essence of business start-up funding is to inject the required capital into your business. This allows you to dispose and act in anticipation of unforeseen events to prevent such events from inhibiting the operations and growth of your company.

Personal resources

The first source of financing you should go to is yourself. Do you have money in the bank, assets placed in buildings or diamonds? If you believe in your venture you should use your own funds first. If you don't, it will be difficult to borrow money elsewhere.

Many entrepreneurs have little money so they have to go elsewhere for funding.

Families and friends

Family and friends can be a good source of financing, especially in the early stage of your business when relatively small amounts of money are involved.

Consider borrowing from several people rather than trying to get it all from one person. This way, you can ask for an amount from each person based on what they can afford to give you, and not on what you need.

You could:

- Write down the names of everyone you know, regardless of how remote the relationship. This might include family, friends, colleagues, mentors, teachers, neighbours, your dentist etc.
- Circle the names of the people who have some insight into your character and/or personal and business skills.

- Think about a realistic amount of money each person might be able to lend you, and write down that amount next to their name.

When approaching someone you know for money, it is important that you have made a written loan proposal. It should be backed up by facts and figures. If you are just asking for the money is practically a guarantee that you will be turned down. Would you not do that yourself? Be realistic and professional.

Your business plan is the proper tool to persuade your friends and family.

Banks and Savings Banks

What do banks require to lend you money to finance your business start-up?

The best tool to obtain the necessary financing is a detailed business plan.

Based on your personal, establishing, and operating budgets you can make a cash flow budget or hire an accountant to work it out for you. A cash flow budget shows your expected borrowing requirement in exact figures.

Present your business plan and loan requirement to your banker and discuss the future cooperation between the bank and your company.

You are being evaluated

To grant your company a loan the bank will evaluate:

- Your personal background and personality in relation to your commercial concept
- Your mission, motives, strategy and contemplated business format

- Your selling scheme and marketing plan
- Budgets and borrowing requirement

Can you stand an evaluation?

Investors

If you believe that your business constitutes an attractive investment for investors and others with money you should definitely try to approach them.

Venture Capitalist – VCs

Venture Capitalists are professional investors looking for a high rate of return by investing in high-growth business ventures. Extremely few new businesses have a profile that will interest venture capitalists – maybe only 1 out of 10.000. What attract the VCs?

VCs want to invest in companies that can grow very fast. This means that your business needs to approach a huge market, have a managing team that can scale up the business fast, and a willingness to take risks in order to gain even more momentum in the market.

As a general rule, VCs don't like reasonable profit margins. They are exclusively interested in outrageous margins

Make one - sell millions

Venture capital is all about investing a - for them - small amount of money to create a business with massive scale and huge multiples. They like e.g. to invest tens of millions to build software that then can be duplicated or served up for virtually nothing extra per-person with a total market size of billions. The best example is Microsoft Windows – it is developed and is now sold to millions of PC users all over the world.

Exit strategy

At the time the VC enter your business they plan to leave again. Their only goal is to earn 10 times their investment - to put in 20 million and leave with 200. Many of the businesses that have been VC funded will be sold to bigger corporations as soon as their product has proven it works – or might work one day.

Awesome

If you have the right type of business, venture capital is awesome. It's an instant infusion of cash, connections, experience and it gives you credibility. It accelerates everything.

Go to Google and search "Venture Capital" and VC companies will show up.

Angel Investors

Angel Investors are mild versions of VCs. Angel Investors are high net worth individuals who invest in businesses on a private basis. It is their own personal money they invest in start-ups and of course they also want to earn money on their risky investment.

Angel Investors often invest in businesses they have personal knowledge about and the amount invested is much smaller than what VCs can come up with.

Angel Investors cannot be found in public databases. Somebody who knows somebody might introduce your project to an Angel Investor. Accountancy companies sometimes know Angel Investors.

Public funding schemes

All over the world different governments like to support entrepreneurs one way or the other. They can, in their effort to promote entrepreneurship, set up financing schemes. The schemes can promote rural development, high tech industry, biotech, the service sector or something different. Contact your national, provincial or local government. They should know if there are any public funding schemes in your area.

Suppliers giving credits

Maybe you are in a position where you can press your suppliers to give you 3 -5 months credit? If you are, then they could help you finance your start.

Say you know a sports shoe manufacture. He 'lends' you 500 pairs of shoes for 4 month. You sell them all. You pay your supplier the money you owe him and you keep the profit.

All kinds of credit will help you get started.

Good luck with your new business.

Mogens Thomsen

Have you covered all the aspects in the business plan?

Example of a business plan

Business plan for: **MoogTech Ltd.**

This is an example of what a business plan can look like.

The content in the following business plan is based on two people starting a software company called MoogTech. They specialize in "electronic commerce and payment."

MoogTech is a fictitious company that only seeks to serve as an example of how a business plan can be organised.

Find a clean template of this business plan on www.dynamicbusinessplan.com. Use it as a background for your upcoming business.

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Background Information

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Education: IT Engineer, AUC
Marital Status: unmarried

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Telephone: 33 22 33 22

e-mail: vc@moogtech.com
URL: www.moogtech.com

Education: MBA in administration
Marital Status: unmarried

Resume

MoogTech Ltd. develops, implements and services small business administrative software so it can be used for electronic commerce and online payment.

Our customers are metal and electronics companies that are subcontractors to larger companies. These companies will be first "hit" of the requirement to introduce electronic commerce and payment.

The average total price for our product will then be: 57,000 with a margin of 51,000 per. customer - it gives a 79% contribution ratio.

Turnover in the first year is calculated to 654,000 with a profit of 250,000 – of which we will draw our “salary”

We believe it will be realistic to find and carry out tasks for 10 clients in the first year.

Once the businesses realize that they have to be able to handle electronic payments, they will contact us - if they know we exist.

The company is a Ltd. and is owned by Mogens Thomsen and Vitthal Chaydhry.

Mogens Thomsen trained engineers specializing in networking and has worked for two years in a computer firm, dealing with the internet.

Vitthal Chaydhry is MBA from the business school and has worked for two years in an accounting department.

The company's idea

MoogTech Ltd. develops, implements and services small business administrative software so it can be used for electronic commerce and online payment.

The company's products / services:

- Product 1: Formulation of strategy paper/presentation for the client that provides a basis for assessing the advantages & disadvantages of electronic commerce and online payment.
- Product 2: Implementation of the strategy paper: Combination of the company's current administrative software with the new software, electronic commerce and online payment required.
- Product 3: Service Contract with max. 4 hour response time.

Clients:

Clients are companies with over 20 employees who are subcontractors to larger companies.

The need company will cover for the customer:

Smaller companies will soon be forced by larger companies to be able to trade and invoice electronically.

What is special about this company compared to competitors?

Other computer companies may also work in this area, but unlike them we have it as a core business.

Personal goals and resources

Therefore I start a business:

We have long wanted to be our own boss, because we think we have some qualifications, and that we can capitalize on this.

Education and experience:

One owner is a qualified engineer specializing in networking and has worked for two years in a computer firm, dealing with the internet.

The other owner has a MBA from business school and has worked for two years in an accounting department.

We have both worked with computers since childhood.

Economy:

We have each saved 25,000 and our demand for daily earnings are low, since none of us have our own home yet. Our parents have promised to guarantee for the additional 25,000 each.

Knowledge of services / products:

Education and professional experience has provided a good experience about the product or rather on its development.

We do not have much experience with the exact product, but a deep knowledge of computer implementation.

My strengths in relation to the company:

Together we cover the technical and economic management part of the business. We have the drive and do not have large financial obligations, since we are both single. We already have a warrant in the house.

My weaknesses in relation to the company:

We are not very sales oriented. We lack capital. One owner has no driver license. We find it hard to price our service.

Expectation of earnings in the first year:

We expect a monthly salary of around 15,000 the first year. Profits will be invested back into the company.

Expectation of earnings in the third year:

The third year we would like to have around 30-35000 per month - in line with our employees.

Expected working time:

The first three years we will spend all our time at the company. Saturday is reserved for other purposes and possibly Sunday morning.

My job in the company:

One owner should preferably be in charge of the technical implementation of the service, while the other must sell and manage the company.

Ownership in the company:

We establish a limited company (Ltd.) with 50-50 ownership.

The company's future size:

We calculate that the company must grow to 10-20 people. We do not think it's fun to manage a too large company so 10-20 employees will be the optimal size for us.

Product / service

The company has the following products/product groups/services:

- Product 1: Formulation of strategy paper/presentation for the client that provides a basis for assessing the advantages & disadvantages of electronic commerce and online payment.
- Product 2: Implementation of the strategy paper: Combination of the company's current administrative software with the new software, electronic commerce and online payment required.
- Product 3: Service Contract with max. 4 hour response time.

The products/product groups/services cover these needs:

Smaller companies will soon be forced by larger companies to be able to trade and invoice electronically.

In addition, companies realize that there is a lot of money to be saved by using this payment method.

Products/product groups/services different from your competitors:

- Product 1: Other computer companies may also work in this area, but we have it as our core business. We provide special expertise.
- Product 2: The starting point is our customers' existing solutions and we have specialized in developing customer oriented solutions so we can use their existing administrative software.
- Product 3: We are not driven by well-known manufacturers of hardware and software, but entirely of our own strategy and the demands our customers ask of us.

Purchase Rate/lifetime of the product

Product 1 + 2 (strategy paper and implementation) is a one-time purchase

Product 3 (service pack) is an annual event.

Calculation of product/service:

Product 1:

- Cost: 10 hours + driving;
- Selling price: 8.500;
- approx. gross profit: 8.500. (Contribution ratio: 100%):

Product 2:

- Cost: 15 hours + driving + software for 6.000;
- Selling price: 39.000
- approx. gross profit: 33,000 (Contribution ratio 85%)

Product 3:

- Cost: 10 hours + driving;
- Annual subscription: 9.500; approx.
- Gross profit: 9.500. (Contribution ratio: 100%)

Price of product:

Reflections of the above cost calculation: The price can be relatively high because it signals quality, customers are forced to buy our services because of their customers wish to pay electronically and high price is customary for using high level IT consultants.

The average total price for our product will then be: 57,000. We are considering writing off 50% of strategy papers price if the customer orders product 2 +3. We have not incorporated this idea into our budget.

Names of suppliers of the product:

The only major supplier, we need, is RiisData Software – the company that developed the software we use.

Form distribution/sales channels for the product:

Distribution is directly between us and the customer. There is no place for intermediaries, since we only sell business-specific services.

Other companies/suppliers in this industry:

There are approx. 200 data businesses nationwide, but results from the database “Business Data” say that there are only 20 in our area. Since our business focus (online payment) is fairly new, “old companies” sell many different IT services which in turn gives us fewer competitors.

Industry development:

There are unlimited possibilities for growth within the industry, because virtually all businesses within the next 2-5 years shall be able to handle electronic payments.

Market Description

Customers like the company's product because:

They are forced by their customers to buy the product, but they could also save time on the economy and stock management.

The typical business customer:

The typical business customer will be a metal and electronics company that is subcontracting to larger enterprises. These companies will be first "hit" of the requirement to introduce electronic commerce and online payment.

Geographical demarcation of their customers:

There are a large number of customers, so we will start to search for metal and electronics companies in North-Western part of the country where we live. We also believe being close to the customer to be a major selling point .

According to the results of a search in a business database there are 899 manufacturing companies in North-Western parts of the country that has between 10 and 100 employees.

Realistic number of clients:

We believe it will be realistic to find and carry out tasks for 10 clients in the first year.

Once the businesses realize that they have to be able to handle electronic payments, they will contact us - if they know we exist.

A typical order is probably going to cost 50-60,000

The main competitors:

Our main competitors are the companies currently installing financial programs C5 Microsoft Dynamics/Navision. Should they decide to go to our business, we will have tough competition, as they already have contact with customers and find it reasonably easy to import trade and payment of their range. Fortunately, there is still enough work in sales and adjustment of financial systems, so there is room for our business.

Strengths and weaknesses of competitors:

Our competitors are known to work with economics applications and therefore have no special knowledge of electronic payments and commerce. However, they will soon be able to cultivate the expertise. They have a customer database today.

The main parameters of competition in the market:

Security for the success of implementation is paramount. Companies get stuck without their computers, so trust in our expertise is necessary.

Assessment of business opportunities in the market:

MoogTech Ltd. Has, like the rest of the industry, big rewards in sight if we are able to provide a high quality product.

Threats to destroy the possibilities:

It is hard to see what circumstances can destroy the possibilities. Even a recession will not affect the requirement for electronic commerce and payment. However, changes to the payment standards and the technology we have chosen could give us a setback of a few months.

Sales and marketing

Ongoing sales and marketing activities for start-up:

Most of our sales and marketing work will be undertaken by direct mailing to businesses in the target group.

Of the 889 manufacturing companies in north-western part of the country with between 10 and 100 employees, we will select 50 companies who will receive a mail.

Subsequently, we conduct a telephone call, which hopefully will be followed by a customer visits.

We have developed easily understandable material that tells about the advantages of electronic commerce and payment. We have contacted a start-up ad-agency that can perform this work.

We intend to dress in "casual work uniforms" to ensure that we always look good when we're out working with customers.

None of us like sales work, but we must both work with it at first.

Annual costs for marketing:

Costs will be quite small, since we can do with letters and telephone; however, we have to devoted many man hours to the work.

Public Relations (PR) at the opening of the company:

Since we are the first to make a firm specializing in electronic commerce and payment, we can maybe get an article in the regional business magazine.

Possibly we can freely implement one of our products for a local factory and use this case a door breaker to the local newspaper.

The girlfriend of a good friend is a journalist at the regional newspaper, and she has promised to write a press release for us.

Organizing the company

Legal Form:

Our company is limited companies. Together with a lawyer, we will have made “partners contract” that specifies our obligations to the company and each other.

Bank details:

National Bank, North-Western branch

Auditor:



Registered auditor Peter Rose, Grosse Street, South Ville

Requirements for the location / room:

MoogTech Ltd. does not require a customer-friendly location - rather, an employee-friendly location close to both the city and highway, if it exists. The northern part of the city will be a good place, as both owners are from this part of town and rents are reasonable.

We need approx. 50 m² for a start-up and to expansion 2-400 m² in about three years.

M² price per. years is approx. 440 in northern city = 22,000

Necessary equipment / furniture / car:

2 updated CPUs, phone, 2 mobile phones, software, office furniture, etc. = 60.000.

We do not want to create web-hotel, but will use existing providers.

Operational Policy:

- Pricing policy: Same price for everyone.
- Discount Policy: Minus 50% of service if the product purchased 2 +2.
- Payment Terms: Cash + 14 days.
- Warranty service: After the system has run flawlessly for 14 days provided no guarantee.
- Services: In the top if purchased subscription.
- Customer service: The customer is entitled, if it does not cost us over 2 hours.
- Personnel Policy: Our most important resource is skilled and motivated employees.
We need to find something so they want to be with us and it should preferably be more than just salary.

Workflows for accounting and administrative routines:

Daily booking: We will not have so many documents in the beginning because we have few but large customers, so the first year or so one of the owners will be responsible for the daily administration. If it is too much, we'll hire a freelance bookkeeper to do the work.

After a year's time we may employ administrative staff to serve clients, consultants and business generally, inc. daily bookkeeping and administration.

Important sparring partners for the company:

We feel we are quite good at dealing with our product but within the development and managing the company, we lack knowledge and competence.

We will therefore try to put together a sort of board of directors consisting of my father, who is a trained banker, a former fellow student who works at an advertising agency and an uncle who works at a large auditor's office.

Enterprise development

Company in 1 year - 2 years?

In about 2 years, we expect that a team of 15 men and women, which is close to the maximum, we will be. Further expansion will be done by core staff that are allowed to start a sister company in the relevant neighbouring cities.

Products / services it sells on the respective 1-3 years:

MoogTechs services will three years from now be same. We will focus on the employees always knowing the latest developments in the area because the software we use will probably be obsolete in three years time. We will therefore have to spend a lot of money/time on training

The company's customers, respectively, 1-3 years:

Customer group will be developed to include all types of businesses as the requirements for use of electronic commerce extends to all types of businesses.

The company's projected turnover for 1-3 years:

Each consultant must earn over 1 mil. a year, so sales should reach 15 mil. It requires that every consultant on an annual basis must implement the 25 configurations at the customers; it will be a good three customers on workable months. (11 months)

The company's expected profit for two years:

Each employee must min. deliver 100.000 in profits, i.e.1.5 mil.

Other objectives of the company:

It is important that employees thrive. This should be achieved through high degree of autonomy, building a "company spirit" and through a form of profit sharing.

Financing

The necessity of establishment of capital:

(From establishing budget)

- 85.200

Needed liquidity:

(Liquidity Requirements calculated using a cash budget)

- 55,000

Total funding:

(Establishment + cash)

- $85,200 + 55,000 = 140,200$

Expectations / commitments for loans / grants from:

Owner:	50.000
Family:	0
Bank loans:	50,000
<u>Overdrafts</u>	<u>60,000</u>
Total Funding:	160,000

Security for loans:

Both parents will place 25,000 in security for bank loans

Budgets

Establishing budget for MoogTech Ltd.	
Expenditure	currency
Premises:	
2 month rent x 2500	5.000
Payment for the purchase of premises or business	0
Deposit for renting (3 months' rent)	7.500
Goodwill	0
Fitting and repair	5.000
Production equipment:	
Machines - (2 CPUs x 12.000)	24.000
Tools	0
Other:	0
Store Inventory:	
Cash Register	0
Disk	0
Other:	0
Office furniture:	
Furniture (desk, office chair, bookcase, etc.).	12.000
EDB (Printer, network, etc.).	5.000
Phone	1.200
Fax	0
Copier	4.000
Other: Mobile Phone, etc.	6.000
Purchase:	
Raw materials / intermediates	0
Finished (stock)	0

Stationery	0
Other:	0
Car:	
Payment for car	0
Other acquisition costs	0
Advisors:	
Lawyer (Creating the / s contract)	5.000
Auditor (We use "Free advice ...")	0
Other:	0
Marketing:	
Letterhead, business cards etc..	4.500
Brochures	3.000
Ads	0
Signs	0
Reception for opening	3.000
Other:	0
Other expenses:	0
Design protection / IPR	0
Other:	
Total Expenditure:	85.200

Operating budget for MoogTech Ltd. - Example		
Period	1/1 2012 to 31/12 2012	Year 1
Turnover (product sales)		
Sales 1 (13 strategy paper x 8,500)		110.500
Sale 2 (12 total deployment x 39,000)		468.000
Sale 3 (8 subscription service x 9,500)		76.000
Total Turnover:		654.500
Variable costs		
Materials (12 software purchases x 6000)		72.000
Wages and salaries		
Free-lance consultant		
Transportation		
Other		
Total variable costs:		72.000
Gross profit: (Turnover - Variable costs)		582.500
Fixed costs		
Salary owners (We split the "Net profit")		0
Freelance technical assistance (50hours x350)		17.500
Freelance bookkeeper (2h.x 45weekw x 200)		18.000
Connecting to remote server, etc.. (12mdr x 1500)		18.000
Local Hire (12 x 2.500)		30.000
Electricity, water and heat		10.000
Rep. and legendary. of premises		2.000
Cleaning		
Operation of car / driving allowance (40,000 km a 1.60)		64.000
Travel		10.000
Stationery		4.500

Postage and Fees (1200 letters a through. 4.25)	5.100
Phone (4 quater x 1000)	4.000
Fax	
Mobile Phone (2 x 4 quarter x 2500)	20.000
Marketing / Ads / Advertising	5.000
Representation	5.000
Meeting expenses	
Non-fiction (10 books x 350)	3.500
Insurances (sickness, liability, contents, car)	13.500
Quotas	
Course Cost	
Computer equipment / software - new small scale purchase	30.000
Leasing Tax	
Consumables - no computer / software	20.000
Legendary.	
Auditor	8.000
Lawyer	5.000
Other advice	
Unforeseen costs	1.000
Fixed costs in total:	294.100
Earnings before interest and depreciation (Gross profit - Fixed costs):	288.400
Interest	
Interest on bank loans	4.700
Interest on overdraft	11.992
Other interest	2.000
Total interest:	18.692
Depreciation:	
Operating	19.049
Other	
Total Depreciation:	19.049

Fixed costs incl. interest and depreciation:	331.841
Net profit (Gross profit - Fixed costs - Interest - Depreciation):	250.659

Business plan

Raymond's Sports Cafe

All the comments in the following business plan are based on the waiter Raymond Reed's start of a sports cafe in the better part of a big city.

Raymond's Sports Cafe is a fictitious company that is exclusively designed to serve as an example of how a business can be disposed.

See the template for this business plan on www.dynamicbusinessplan.com



Background Information

Name: Raymond Rede
Address: 67 Vitthal Street
Indiana
Tel.: 33 77 66 99

E-mail: mail@raymondssportscafe.com
Web: www.raymondssportscafe.com
Education: Waiter from Indiana Technical College
Marital Status: Married and have a son

Resume

I will start the city's most entertaining sports cafe with seating for 150 people. It's packed with the latest technology so you can experience everything in sport from the segregated monitors at each of the 40 tables.

I use a proven café concept from the U.S. as a starting point and here the concept has existed for several years.

Realistic number of customers

Because of the new concept in this part of the country, our continuous marketing and my close contact with the neighbourhood's football club, we can expect a full house most of the week. The café can accommodate 150 people.

- From Monday to Wednesday, we expect 60% occupancy with a replacement of the audience 2 times.

- Thursday - Sunday 80% occupancy with the replacement of customers 3 times.

We expect that each customer uses 140 of the national currency per visit. This corresponds to four/five drinks or a drink and a menu (one unit of the national currency is app, 5 US\$).

Price of product / service

We aim at a moderate price policy. A meal should be at the same level as Pizza Hut and the same for drinks.

- Drinks: average contribution margin 70%
- Food: average contribution margin 65%
- Sports effects: average contribution margin of 75%

Owner

The Company is a privately owned company that is founded by Raymond Rede. I am a trained waiter and have served as such for many years at prominent restaurants and the last year I have been manager of a major restaurant. I am 40 years old and have played professional football for the local club. I am today a part of the marketing team of the club.

Economy:

Five years ago I decided that I at one time in my life would have my own cafe. So today I have saved 200,000 in a start-up account in the bank. I have received commitments from three people who are willing to stand surety each for 20,000. Furthermore, I have a condominium with some equity.

Business Concept

The company's philosophy

The purpose of my sports cafe is to ensure that customers get real fun and good experiences when they use their leisure time in the cafe.

Elevator pitch/Sales Presentation

I have the city's most entertaining sports cafe with seating for 150 people. It's packed with the latest technology so you can experience everything in sport from the segregated monitors at each of the 40 tables. We have specially trained staff to serve our menus and drinks at reasonable prices. Here is my card, permitting a free drink for you and a companion.

The needs which the company will cover

The Sports Café covers the need for human interaction for the 20- 30 year olds in an environment of action, music and TV tuning.

What is special about this company compared to competitors

Raymond's Sports Café is the first eventful cafe in town and the owner will have close contacts with the city's sports life – and then the customers.

Measurable Objective

- There must be a contribution margin from food at 68%.
- There must be contribution margin at 70% for drinks
- Every second month must have a special event, causing media interest

Personal Goals and Resources

As a waiter I have always wanted to get my own place and after a trip to the U.S. where I saw an awesome concept for a sports cafe I am now ready, and I have learned that the perfect premises for the café is soon going to be available for lease.

Education and experience:

Trained waiter and has served as such for many years. I am currently 40 years old and have played professional football for the local club. I am today a part of the marketing team of the club.

Economy:

Five years ago I decided that at one time in my life I would have my own cafe. So today I have saved 200,000 in a start-up account in the bank. I have received commitments from three people who are willing to stand surety each for 20,000. Furthermore, I have a condominium with some equity.

Knowledge of service / product:

After several years of work as a waiter I have a thorough knowledge of clients' needs when they go to café and restaurants. Furthermore, I know all relevant suppliers to the catering environment. The active participation in the city's sports life gives a good network of contacts to potential customers and sports management.

My longstanding involvement in the local sports club gives me direct access to the environment surrounding the club. I have also been active in the professional waiter's union and

have good contacts to both future employees and the union itself.

Strengths in relation to the company

Educated waiter, many years of experience in the profession, active athlete, active in sports club association work, my family backs me up, I use a proven concept from the U.S. as a starting point, and have managed a cafe for two years.

Weaknesses in relation to the company

Compared to the investment needed in the café I don't have many savings. My wife is unemployed, so I need a monthly income of at least 17.000 from day one.

Earnings in the first year

The first years earnings should be at least 17.000 per month. This amount is my minimum to keep up my standard of living.

Earnings in the third year

My goal is to earn twice as much as my most expensive employees. It will be approx. 40,000 per month.

How much will I work?

The first year I've agreed with my wife that all my time will go to the Sports Cafe. I expect not to appear in the café before 11:00 and every Monday I will take the day off.

Work functions within the company

As the cafe becomes a relatively big workplace my work will primarily be to coordinate operations and stand in the cafe at peak hours. I must therefore be the leader of the café and make sure my customers are happy.

Product / Service

Our earnings in the cafe are found in the following three areas of sale:

1) Beverages

- Beer
- Spirits
- Soft Drinks
- Tea and coffee

2) Food

- Menus
- A la carte
- Snacks

3) Sports merchandise

- Football
- Cricket
- Other

Customer Needs covered by product

We cover human needs to be entertained and to be among friends. The Sports Cafe concept is just the framework we have chosen to cover the needs. We have chosen a Sports Cafe concept because sports are a big part of young people's lives. This, combined with the café uses the most modern electronic entertainment techniques, will create a good framework for our way of earning money, which is selling food and beverages.

Different from other cafes

There are many pubs, cafes and restaurants in town, but nobody has completed the sports concept as at Raymond's

Sports Cafe. We stand out in the city and therefore will have no difficulty in profiling ourselves.

Purchase Rate / lifetime of the product / service

We expect to build a strong relationship between customer loyalty and Sports Cafe. This implies in particular introduction of electronic membership card that makes it possible to provide discounts and other member benefits to loyal customers and to selected groups.

When we have many electronic activities running, it means that the customer will stay longer in the café and hence buy more of our beverages, snacks and meals.

Calculation of product / service

- Drinks: contribution margin 70%
- Food: contribution margin 65%
- Sports contribution margin of 75%

Price of product / service

We aim at a moderate price policy. A meal should be priced level with Pizza Hut and the same for drinks. We do not want the price to keep people from coming, because our strategy is to keep customers longer and thus get them to buy more. On the big sports day like the World Cup, ICC Cricket World Cup etc. prices will be raised because these days are special and with various events and competitions. For these days tickets will be sold.

Suppliers

For the current business we will use the usual suppliers in the restaurant and cafe industry. With respect to the organization of the Sports Bar we will use BarCaf Total Construction, which has several years of experience in the fitting of discos and bars.

The electronic and audio-visual setups will DigiVideo take care of. DigiVideo has not previously made such a big task,

but as an investment for their part and in the hope for implementing more sports cafes they will take some of the development costs.

Form Distribution/Sales Channels:

Our clients come to us, so we have a distribution length of approx. 65 cm, the width of our bar counter.

Required storage

Our spirits, beer and water storage should always be able to cover a week's worth of full houses. Non-perishable foods must be a minimum stock of 14 days, meat max. two days' stock, and bread bough/baked daily.

Industry Association

In town there are nine ordinary pubs, seven cafes and nine restaurants. There is another sports venue, but it's just a normal bar where there is established a couple of slot machines and a dartboard, and four TVs are hung on the wall.

My Sports Cafe will be located at the bottom of the "restaurant street". We do not have any direct competitors, because our concept is so different from other restaurants and cafes.

The other cafes in the area, we do not consider as competitors but as collaborators, as we say: The more life in the streets, the better for everyone.

Restaurant, café and pub owners have good cooperation in the city and they acknowledge that the higher the standard the industry has in the city, the more people will come and put money in the till. They welcome Raymond's Sports Café.

Life cycle

The concept of theme cafes / bars are quite new in the country, but has already proven a success in the U.S. We are sure that the idea will take off here as well.

Market Description

Based on my years of working as a waiter, I know that young people want a little more than just drinking a coke or a cup of coffee with friends. Today's youth need activities no matter where they are and they will get activity at my sports cafe.

Who are the customers?

Our core area is the entire city, but we have plans to organize contests and other activities where sports associations from the surrounding major cities be a part of the activities. If we do this it will be possible that young people from surrounding municipalities also will establish a relationship with the Sports Cafe.

Realistic number of customers

Because of the great news value, our continuous marketing and close contact sport, we expect a full house most of the week. The café can accommodate 150 people.

- From Monday to Wednesday, we expect 60% occupancy with a replacement of the audience 2 times.
- Thursday to Sunday - 80% occupancy with the replacement of customers 3 times.

We expect that each customer uses 140 per visit. This corresponds to four / five objects or an object and menu.

Strengths and weaknesses of competitors

None of the other cafés and bars is working with a consistent

theme, so we are special and alone with this concept. You could copy our concept, but they will always be number two of sports cafes.

Competition Parameters

Cafe customers want good or exciting experiences and good food and drink at reasonable prices. That is what we will provide them. We must ensure that our customers get a good experience each time they are in our Sports Cafe. If customers cannot say COOL or GREAT when they leave, we have not done well enough.

Market opportunities

To meet outside the home at a cafe or restaurant is never outdated. The framework of this meeting may be trivial, what is happening in this country today. We therefore see great opportunities in the sports theme cafes as sports and cafes have a universal attraction to especially young people.

Threats that can destroy opportunities

The greatest threats we can see will come from satellite TV companies. If they raise prices to astronomical heights to use their signals, we have to opt out of this. We will then have to think very creatively to create the same intensive sports coverage.

Sales & Marketing

We have a Sports Cafe which buzzes with life and experiences in sport. We must in our marketing strike the same action packed style that characterizes our product.

Our primary media will be local radio, which we will use both to bring ordinary commercial spots and to make the local

radio station broadcast from the café when we have special events. At every major sporting event, be it international, national or local, we will make special evenings.

Sports events need not be well known in this country before as we will create a special event. Super Bowl in the U.S., the Latin American football championship, Sumo Wrestler Championship in Japan or Jitterbug Championship in Spain will be good reasons for a special evening.

At these event evenings/days/weeks will offer local cuisine and imported beers and souvenirs, contests with great prizes and live TV from the event. Every event, large or small, will have its own spot on the radio.

By frequently changing events, Sports Cafe will appear as a dynamic place, even if every event is built around the same concept.

Twice a year we will organize our own sporting event for example. This could be indoor soccer or street basketball for customers from the city's other cafes and bars. As support for the massive radio advertising will be produced posters, where events of a quarter at a time will be published.

PR at opening

Raymond's Sports Cafe plans to open with a big bang. We plan to have national top players to attend, the local players from the national league works as waiters, parts of the pedestrian street will be turned into a beach volleyball court, local radio broadcasts live throughout the opening weekend, cyber darts competition with a sports cafe in the U.S. and many more wild things.

We have allocated 60,000 for opening weekend.

Editorial coverage in newspapers

Besides our local opening event will we market ourselves across the country by making regional newspapers interested in our unique sports cafe concept. We believe we are the first in the country that have this unique concept.

We also have plans to franchise the concept to other locations in the country. We have made contact with a freelance journalist who stands for our press contact.

Organizing The Company

Company name / address / tel / fax / e-mail:

Raymond's Sports Cafe, 67 Vitthal Street, Indiana

Tel: 33 77 66 99

The company will be started as a personally-owned sole proprietorship because it is the simplest way to get started on. Later I will consider whether the company will be converted into a limited company.

Accounting

We have decided to hire a freelance bookkeeper from the beginning. We will in the café have a strong need for control of economy and administration, as many invoices will come into circulation daily.

Furthermore, there is a huge coordination work in organizing our events and press work which the administrative freelancer and myself will take care of.

Business Policies

- Our prices will always stay at a reasonable level
- We only have cash sales

- Via the café's electronic membership card certain groups and individuals achieve either a 5, 10 or 15% discount.
 - Sales for over 500 per month trigger 5% discount over 1.000 trigger a 10% discount and over 1.500 15% discount.
- We want 60% of our staff to be under 30 years and evenly divided between men and women.
- Salaries should be slightly above average and we will take appropriate incentives to increase the incentive to work at the cafe.

Premises

67 Vitthal Street at the end of the pedestrian street have been vacant for six months and I have the option to rent the 300 m2 room.

Establish Budget

Because of the huge investments that have been developed separate budgets for each of the three main investments. The total budget figure is to be transferred to capital budget.

- 1) The renovation of the room: 98.000
- 2) Production equipment: 525.000
- 3) New furniture: 51.000

Sparring partners to the company

I feel I have good check on how I want things to evolve and are confident that I can control the operation. Besides bookkeeper and accountant I need no more consultants or external help.

I might contact the governmental association for helping entrepreneurs – I have heard they should be competent.

The Café's Future Development

My goal with Raymond's Sports Café is to develop the concept to be nationwide. The experience I get with the highly interactive and electronic design, marketing and events, will be described so I can sell the sports café concept as a franchise in other part of the country.

I will sell the concept to enterprising entrepreneurs in the cities that have a national league team. I do not want to be the owner of the other sports cafes, but just make sure that they are living up to my concept, so all the sports cafes at a time can make national advertising campaigns. Within 12 months I will have described the concept and after three years there will be three cafes in the neighbouring cities.

Services / products for a year and three years

I expect that my concept is the same throughout all three years but I will obviously follow developments the market undergoes.

Customers about a year and three years

In three years we will still focus on the same target group - 20 to 35 year olds.

Turnover in a year and three years

The café should reach its maximum turnover within two years. Thereafter further increases in turnover should be achieved through franchising.

Other objectives of the company

Within the next three years, we will have found a reliable distributor of organic meat and vegetables because we will start to serve organic meals. We believe that the health trend and sports go hand in hand.

Already next year we expect to use Good Herbs as a supplier because they sell Fairtrade labelled coffee, tea, chocolate and cocoa that are also organic.

Budgets

(The currency used in the budgets are a "no country currency" but 5 unit are app. 1 US dollar)

Establish Budget - Raymond's Sports Cafe

	Cost
Premises:	
1st month rent	25,000
Deposit on rental - 3 month's rent	75,000
Goodwill / disposal	150,000
Paints, repairs, new toilets, etc.	98,000
Production Equipment:	
Furniture, tables, lamps	160,000
TV and other electronics	240,000
Kitchenware	70,000
Other:	55,000
Office Furniture:	
Furniture (desk, chair, bookshelf etc)	15,000
Computer (Printer, network, software, etc.).	25,000
Telephone	2,500
Mobile:	1,000

Fax / copier	2,500
Other:	5,000
Supplies:	
Raw / semi – Food	20,000
Finished products, spirits, beer, chips, etc.	40,000
Stationery	7,000
Advisers:	
Lawyer	4,000
Accountants	17,000
Marketing:	
Letterhead, business cards, etc.	15,000
Advertise	25,000
Reception for opening	<u>60,000</u>
Total cost:	1,112,000

Operating budget for Raymond's Sports Cafe

Assumptions for the budget – the first 12 months:

- Sunday-Wednesday:
150 customers x 2, 60% utilization of seats
- Thursday-Saturday:
150 customers x 3, 80% utilization of seats
- Average purchase per customer: 140
- Relationships between sales:
food 40%, 55% drinks, sports items, 5%
- Opened: 50 weeks per year
- Contribution margin food: 65%
- Contribution margin drink: 70%
- Contribution margin ports: 50%

Other counselling	15,000
Unforeseen costs	<u>100,000</u>
Fixed costs in total:	4,373,440

Interest	
Interest on bank overdraft	51,000
Other interest	<u>25,000</u>
Total interest:	76,000

Depreciation:	
Depreciation of equipment	<u>206,000</u>
Depreciation Total:	206,000

Net Profit:	446,510
(Gross profit - Fixed Costs – Interest - Depreciation)	

Business Plan for Pixel & Bits – Graphic Design

All of the comments in the following business plan are based on two friends - Lucas and Helene - who want to start a small graphic design business called Pixel & Bits.

Pixel & Bits is a company that is presented as a real company. It serves as an example of what a business plan for a service company that works in the service sector can look like.

You can find the template for this business plan at:
www.dynamicbusinessplan.com



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1. Background Information
2. Resume
3. Business Concept
4. Personal Resources and Goals
5. The Product
6. The Market
7. Sales & Marketing
8. Management & Organization
9. Future Development
10. Budgets

BACKGROUND INFORMATION

Name of owners:

Lukas Edward and Helene Waterfall
Address H.C. Andersen Street, 8200 Aarhus N
Telephone 25 32 40 30
Email Lukas@PixelandBits.com
Helene@PixelandBits.com
Date of birth:Lukas E.: 03. 04. 1989
Helene W.: 16. 09. 1990

EDUCATIONAL BACKGROUND - Lukas Edward:

- 1 year master at School of Graphic and Communication
- 5 years at the higher technical school, School of Graphic and Communication

Technical and vocational skills:

- Knowledge in Mac X Lion and Windows 7
- Knowledge in the programs Quark X-Press, Adobe Photoshop CS, Adobe Image Ready, Adobe InDesign, Adobe Illustrator, Macromedia Freehand MX, Dreamweaver, Flash MX, Digital Photography, Analog photography
- Lino printing, silk-screen printing
- Marketing knowledge

Practical job experience:

- Working 2 months as a freelancer for AD Lab
- 1 year at the advertising agency Schaurhofer Marketing Communications
- Practical work at the advertising agency Lehninger & Partner
- Web design for the region Linz-Land, for a Photographer and Jongleur

EDUCATIONAL BACKGROUND - Helene Waterfall.:

- 5 years at the higher technical school, Graphic and Communication

Technical and vocational skills:

- Knowledge in the programs: Quark X-Press, Adobe Photoshop, Adobe Image Ready, Adobe InDesign, Adobe Illustrator, Macromedia Freehand MX, Macromedia Dreamweaver MX
- Digital Photography, Analog Photography, Lino printing, silk-screen printing

Practical job experience:

- Working as a freelancer at AD Lab

- Working at the advertising agency Reichl und Smith
- Working at the advertising agency Image Profiler Media & Communications
- Contract work at the architects Riepl and at advertising agency Medias
- Web design for the region Linz-Land

RESUME

We are two young graphic designers who are trying to start a small and creative agency here in the town of Aarhus. Our products are mainly based on designing and creating print and advertising materials, such as logo design, typography, design theory, art direction, ad design, web design, booth design, corporate design/corporate identity, layout, image processing, color management, pre-press, final draft, Illustration and Photography.

Firstly, we work together for three other companies as freelance graphic designers, where we get around 100 hours' of work every month. At the same time, we try and find our own customers, like small shops, stores, private people and small companies. We plan to find about three customers of our own per month.

We will initiate contact with customers by visiting them personally and leaving our business card at their desk. After 1 week we call or visit them again, but that really depends on how much time and work we get.

On the internet we have our company philosophy, our works/references, and of course our contact information.

We offer customers an “All-in-One-Concept“, which means we take care of all the things the customer needs for a good presentation of their business.

With our practical work experience, our knowledge and our technical and vocational skills, we offer the market the same product as a big agency does - but for a cheaper price.

“We make graphic design that everyone can afford. The price fits to the customer!”

We don't use much money for the start, so all the money we earn is more or less profit for our company. We don't need any money for funding our startup, as we already have everything required.

BUSINESS CONCEPT

Sales presentation/ 15 second elevator pitch:

We are two young graphic designers who have our own creative agency business. We offer all kinds of graphic design like logos, advertising material, folders, web sites, posters etc.

We offer customers an “All-in-One-Concept“, which means we take care of all the things the customer needs for a good presentation of their business.

We always do our very best to satisfy our customers expectation for good graphical work, so we don't stop until the customer is satisfied.

Our prices are very fair – normally 10% less than bigger creative agencies.

Besides having our own business, we are working as freelancers for partner companies.

Our line of business:

- A graphic design agency, flexible, fast and cheap compared to the competitors, and which is affordable for everyone
- We offer customers an “All-in-One-Concept“, which means we take care of all the things the customer needs for a good presentation of their business

We want to sell these products:

Our products are designing and creating print and advertising material. e.g. logo design, typography, design theory, art direction, ad design, web design, booth design, corporate design/corporate identity, layout, image processing, color management, pre-press, final draft, illustration and photography

Our customers are:

- In the starting-period we will work together with three companies as graphic design freelancers
- Beside this, we will try to get orders from our own customers, like small shops, stores, private people and small companies

We will get in contact with our customers this way:

- By visiting the people personally, by leaving our business-card with telephone-number and web address. On the internet we present our company philosophy, our works, references and of course our contact information
- After one week we call or visit them again. We keep all the contacts in a database so we can contact them again at a later date

We always stay in contact with the companies we are working with

We are different from our competitors in these ways:

- With our practical work experience, our knowledge and our technical and vocational skills, we are on the same level as the biggest agency – but we are able to offer cheaper prices because of our low costs
- Our product is also affordable for private people who want start a new business
- We are more flexible and really take care of our clients, keeping in personal contact with them

The three biggest resources we give our business:

- Passion and engagement
- Graphic know how and practical experience
- Flexibility

PERSONAL RESOURCES AND GOALS

We are very passionate about starting a business and we both have a graphical education and a few years of experience. We are both out of work, so we now have the time and opportunity to get started.

Economy:

We don't have to use much money for the start of our company - we already have the computers and our creativity, and everything that we earn is our profit!

We don't need a graphical color printer or other stuff because two blocks away there is a great printing house with all the graphical gear one could ever need.

We live in a very cheap apartment so we do not have to earn a lot of money to survive – rent and food is our only expenses.

Know-how about the product:

- 3 years of work experience,
- 5 years higher technical school for graphic design – well educated for this kind of work
- 3 known partners that will buy our services/hours
- Power and the will to do it!

Weak points in relation to the business:

We know that we are good designers but we have not tried to sell to customers yet. We know we have to sell so we must overcome this this weakness.

Our working tasks in the business:

Designing and creating print and web products, and also pre-press and finishing. We also take care of the contact between the printer and the customer.

Future prospects for business size:

We don't want to become a big company, we want to stay small (flexible and cheap). We want to make really creative work as freelancers for bigger agencies and also for our own clients. We don't want to have any other employees for the first few years.

THE PRODUCT

The business has the following products:

Our products are designing and creating print and advertising material:

- Logo design
- Typography
- Design theory
- Art direction,
- Ad-design
- Web design
- Booth-design
- Corporate design/corporate identity
- Layout
- Image processing
- Color management
- Pre-press
- Final draft
- Illustration and Photography

Differences in products compared to competitors:

- With our practical work experience, our knowledge and our technical and vocational skills, we are on the same level as the biggest agency – but we are able to offer cheaper prices because of our low costs
- We are more flexible because we are small
- We take care of our clients and keep close personal contact to them
- Our product is affordable for private people who for example want start a new business.

Purchase frequency/product life span:

If you satisfy a customer the customer will often come back to you whenever they have new work. It is therefore very important to nurse every customer and contact them regularly so that they will buy again. When a customer (person) moves to a new job, they often continue using the same graphical team.

Calculation of product price:

Our prices are based on hours of work – our own work – which means that the amount of a sale stays in our company.

The printing of brochures, business cards, flyers and other items must be ordered by the customer and the bill goes directly to the customer. We do it this way because then we will not have any losses if a customer cannot pay the bill. If the customer does not pay his bill we will only lose the hours we have worked for the customer and we don't have to pay for any external expenses.

Our price:

Our prices will always be 10% lower than prices from the bigger graphic houses.

It will also depend on the type of the job, as our price always fits to the customer.

THE MARKET

The typical business customer:

We only want to target business customers. The type of businesses will be:

- Advertising agencies
- Shops and stores
- Small companies

Size/staff: Companies with a size of 1-25 employees, but in practice it doesn't really matter

Number of customers:

We already have three business partners / advertising agencies that will use us as freelancers. Their names are:

- Krebs & Co
- Sq1 Agency
- Underground Ad

Beside the advertising agencies we try to get our own business customers. It would be great if we could get 3 new customers per month.

Geographical limits:

In your own country: We live in a town with 700.000 inhabitants so the businesses in this area will be our target group.

Foreign countries: We are both foreigners in this country so we might be able to get on-line customers from some contacts in our homeland.

Average consumption in cash per customer:

Advertising agencies buy "hours" from us. We have agreed that the three we have close contact to will, in total, buy 100 hours per month.

We do not have any business customers of our own yet, but we will focus on getting three new customers every month.

We have estimated that one small business customer on average will use 20 hours of our time.

Important competitors:

All advertising agencies and other graphic design agencies in town are our competitors. e.g. Digital X Press, Recommended, Faktor X, JaHallo, Mindpeople, Openminded, Envision, Jom...
But there's a place for everyone!

Important competitive parameters on the market:

The major reasons for buying from a graphic agency are:

- Recommendation by somebody else
- Flexibility and easy to work with so the customer can change ideas in last moment
- Deliver on time
- A good price

Assessment of the possibilities on the market:

At the moment a lot of young people want to start their own business, and we are able to help those to get a good image within their market and help them to be successful. We would like to help them grow, and also grow with them. We think that there is much work and many possibilities to keep our business running.

Threats that may destroy the possibilities:

We have a language problem because we are foreigners, but we are slowly and surely learning the language. We speak English with a strong German accent but we hope to appear OK.

Another threat is that we might not get any jobs, as maybe there's no work for freelancers at the moment and therefore we won't be able reach our goals to earn enough money per month.

SALES & MARKETING

Sales and marketing activities from start:

Business cards:

We make them our self, including the logo. We will not put our address on the card because we don't know our business address yet and it does not look professional to display our home address. It will only include the web site, telephone number and e-mail.

Internet:

We make our own home page, and it must be operational the day we open our business. On the web site we will display our earlier works so customers can see if they like our style. We think references from customers are important so we will approach one or two small businesses and offer them our service at no cost at all. In return, we will ask for a reference from the business owners that we can use on our web site.

Network

At the moment we are known as people who work for others. As soon as we have our own business and a web site we will contact all the people we know and tell them we have our own business and let them know what we sell. We will look for people we know: family, friends, friends from school, former colleagues and anybody from our regular hobbies.

Customer visit:

The only way we can get in contact with the small business owners are to look them up and knock on their doors. When we enter we will make our sales presentation and ask if they need "more sales in their business". Hopefully they will, and then we can discuss which services we can supply. The business card will be used on every visit.

Telephone sales:

Five days after the visit to the business owner we will call the owner again and follow up on our meeting. We will also note in our calendar that we must make a new follow up in six months' time.

We have decided that we will develop a customer database of 50 potential customers, and we will call these every 6 month. In the end they will simply have to hire us for a job.

Advertising:

We will possibly use a newspaper advert, but it depends on the price. We will not use this possibility to begin with.

Presentation material:

We already have our web site and business cards. We are considering making a flyer explaining our different products to the small business owner.

- Publications: No
- Signposting: No
- Direct mail: no
- Trade Fair: No
- Opening market activity: No
- Press release: No – we are not that special

MANAGEMENT & ORGANISATION

Name of business:

Pixel & Bits

West Street 22
8200 Aarhus North
Tel: + 50 29 94 68,
info@PixelandBits.com
www.PixelandBits.com

Legal status of business:

Pixel and Bits is going to be a Partnership with two owners:

- Lukas E.
- Helene W.

Bank:

We opened a withdrawal account in the name of Pixel & Bits at Nordic Bank, 52 West Street branch.

Business policies:

- Price policy: The price fits to the customer and will often be 10 % under any competitors.
- Discount policy: We are not expecting to do discounts after we have agreed the price.
- Method of payment: As soon the work is done we send out the bill and it must be paid within 14 days. If Pixel & Bits manage printing or other external expenses, these expenses must be paid beforehand or paid directly by the customer to the external supplier.
- Guarantee service: No.
- Service: We follow up 5 days after delivery.
- Staff policy: No other staff, so no staff policy.

Procedure for accountancy - and administrative routines:

We do not want to do the accounting our self. Helene's friend has promised to help us make the accounts so we fulfill the national requirements for proper accounting. There are only 2 people in the company and as such we will produce few invoices, meaning the costs are also minimal.

FUTURE DEVELOPMENT

Business appearance in three years:

We want to develop us to a small, established creative agency - maybe a bureau in combination with a shop, so people can come in from the street. We will be known for good graphic design work! We don't want to have any employees within the first three years.

Customers in three years:

We want to keep those we have and grow with them while of course trying to gain new customers. We prefer to work with small businesses

Financial forecast for year three:

Three years is a long way ahead to plan but we want to earn a decent amount of money. We are not planning to earn a lot of money but we will at least earn as much money as a high school teacher – or maybe even a bit more.

Other goals with your business:

If we manage to find a premises for our bureau that can also work as a shop, we would like to sell art objects, such as t-shirts and clothes which are silk-screen-printed (among other creative things).

BUDGETS

Establishing Budget for Pixel & Bits

Premises	
Rent	0
Deposit for purchase of premises or business	0
Deposit (3 months' rent)	2.250
Goodwill	0
Furnishing and renovation	200
Office fittings	
Furniture (desk, swivel chair, shelves etc.)	0
Computer – new Mac but we might wait	2.000
Telephone	200
Copying machine	500
Other things:	0
Marketing	
Web site, business cards	100
Brochures	0
advertisement	0
Signposting	0
Opening reception	300
Other things	0
Total costs	5.550

Operating budget – Year 1	
	12 month
Turnover	
Design, logo and creativity	45.000
Web site incl. CMS system	37.000
Other	10.100
Total	92.100
Variable Costs	
Web CMS system - 40 % of sales	14.800
Variable Costs	14.800
Gross Profit: (Turnover - Variable Costs)	77.300
Contribution margin	84%
Regular costs	
Freelance help	9.500
Rent, electricity, heat, water	9.000
Car service/mileage allowance, travel	2.400
Office equipment	1.200
Mobile phone, internet	2.520
Marketing/web site etc.	3.600
Insurances	300
Computer equipment	0
Minor purchases	1.200
Accountant	700
Unsuspected costs 5% of costs	1.521
Total Regular Costs	31.941
Net turnover (Gross Profit - Regular Costs)	45.359

This business plan is built over a business that is constantly developing. Your business is dynamic so your existing business plan is only a snapshot of how it looks today. Tomorrow it may look different.

Lead your business to where you want it to go and try to make it blossom every day.