

# Planning for Success

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*Without counsel plans fail, but with many advisers they succeed.*

It has been said that if we “fail to plan” then we “plan to fail”! Every successful business has had a number of failures during their journey. BUT - what makes them successful is that the owners or managers are humble enough to acknowledge that they have made a mistake and to learn from it. We need to have a willingness to learn and create that culture in our business. A major part of learning is looking back and reviewing what took place, what went wrong and looking for solutions. Finally, corrective plans need to be developed, implemented and reviewed so that you know that the actions taken have worked and are sustainable.

The process by which an entrepreneur does what is described above is what is called the “Business Cycle”

## Business Planning

Writing a business plan is where an entrepreneur takes their ideas & dreams and fleshes these out into strategies, tactics and detailed plans that can be executed. This is the process of:

- Looking for opportunities
- Identifying needs
- Identifying gaps in the market
- Looking for underutilised resources
- Looking for ways to improve an existing product or service



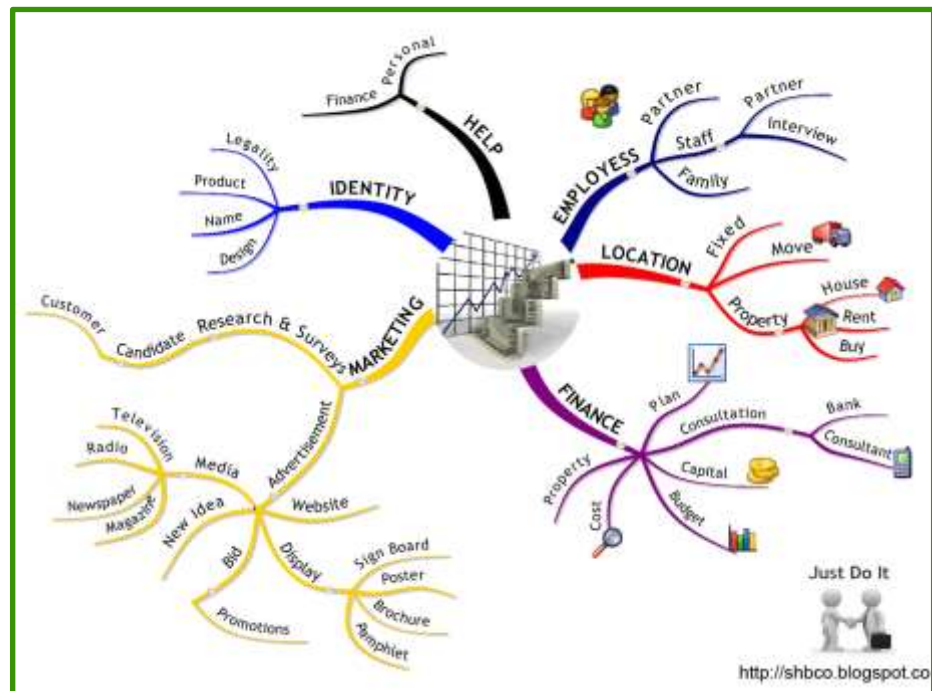
Business Planning is usually done in detail when an entrepreneur starts their business, however it should be a continuous process and needs to occur regularly. It may be weekly or monthly in the first 6 months to a year of starting your business after which an annual process should be sufficient.

The **plan-execute-review** process could also occur on a monthly or annual basis as you look forward, look back and reflect on what is going well that you should **keep doing**, what do you need **start doing** in order to improve as well as what we should **stop doing**.

When you start a business, the planning step will require a great deal of effort. This step can even take a few months to complete but it is wise not to skip this step or rush. In fact, our advice is to do this well and even get help with your business plan and have other successful entrepreneurs read and critique it if you can. Writing and thinking through your business plan in detail will enable you to “test” the viability of your idea **BEFORE** you spend a great deal of money and time. It will enable you to see potential gaps in your thinking and may highlight problems with your financial model. It can also act as a guide to assist you to set sales targets and marketing plans against which you can measure your progress.

## Collecting & Managing Information:

- The beginning of the planning process is gathering information and so how we get it and how we manage it are important.
- Mind Maps can be a useful way to collect and view information gathered
- Once information has been collected it needs to be put into categories so that it can be easily managed



### Group Exercise 1:

You are planning to open a Hardware store in your local area and need to decide what products to sell. Think through all of the different products that customers may wish to purchase from a Hardware store and put these into a mind-map, grouping them into various categories.

A **category** is the name we give to describe a group of items that are similar. E.g. a bus, car, motorbike, taxi and train are part of the **transport category**

The term **Merchandise** is the word that we use for products used to promote a particular attraction such as a film, fictional character or famous tourist site.

There are many opportunities to take advantage of large scale events or attractions such as a soccer match or a famous tourist attraction that people want to visit. The name that we give to these kinds of products is “spin-off” products

### Group Exercise 2:

There is a large international soccer match in your City between two of the top international teams. The event is likely to draw local as well as international spectators.

- Make a list of all of the merchandise that can be sold around the time of the game.
- Now categorise these into products that locals would buy and products that international visitors would buy.

- Think of at least 2 different themes that you could use to make your products more attractive to specific customers
- What other types of business will benefit from this international event?
- What products could still be sold after the event or at a similar but different event (like an international rugby match).

## The Business Cycle

The Business Cycle is the name we give to the daily, routine process that guides the execution of your business activities.



**PLAN:** This is the start of the process and probably the most important step. So take time here to do this well and do it right! In this step you will consider your budget for the coming period as well as your marketing mix. Also be sure to shop around and look for specials & good deals. Your Budget should include the following line items:

- Home expenses
- Operating Costs (like transport, cell phone, rent, electricity)
- Labour Costs (salaries & wages)
- Raw material costs
  - How much can I buy?
  - How many units can I make?
- How many units can I sell?
- Marketing Costs (advertising, delivery, packaging)
- How much will I keep aside for unexpected events (life cards)?

**SPEND:** As you begin spending, keep track of all expenses. Even the small ones like your cell phone costs, taxi fare, electricity, cooking oil and so on. Don't forget costs like thread if you are sewing or tomato sauce & serviettes if you are making hotdogs or nails & screws if you are making products out of wood. Some expenses may be higher than you and planned and hopefully some will also be lower. That's ok – keep going and recording your costs. After you have been running your business for a while, you will have a much better idea of what you are likely to spend in order buy, make & deliver your products or service to your customers.

- This is why it is important to keep track of everything and write each expense down using a **record sheet** as you spend. You can use a record sheet like the one you used on the training or something that you have designed for yourself that does the same job.
- If you do not keep track of your expenses and the cost of your raw materials you will have no idea whether your business is successful and will have no idea what to improve or cut out in the next cycle.

**MAKE:** This step could be long or short depending on the business you choose. If you are making something, it is a good idea to keep track of how long it takes to make one item

from start to finish and how many you can make in an hour or in one day. You may have an excellent product but if it takes ages to make, you need to make sure that you can sell it for a high enough price to justify the time spent making it.

**SELL:** Get out there! Just do it. Sometimes this is hard and you don't achieve the sales you hoped. Keep asking yourself – what else? Where else can I go? Should I adjust my marketing mix? Remember to keep track of **how many** units you sell each day and **where** you get the sales. If you are making sandwiches, make a note of the time of day as maybe people buy on the way to work and then again at lunch time and nothing in the afternoon. So then, you can choose to be there early and go home after lunch – to make more for the next day! Also think about weekends and public holidays as this could result in a huge increase in sales or very few sales on those days.

**REVIEW:** This step should be a review of ALL of the activities required to spend, make & sell. It is a financial review – so did I make as much as I thought? It is also a review of your marketing mix and decisions on where you sourced your materials from. The following questions will help this review:

- Did the place you chose to sell at work well?
- Can you source cheaper raw materials without compromising the quality of your products?
- Can you manufacture your products faster (without compromising quality)?
- Can you buy in bulk so that you can get a discount?
- Can you employ someone else to make the products for you so that you can spend more time selling? Or can you employ someone to sell whilst you manufacture?
- How can you tweak your marketing mix?
  - Should you go to a different place?
  - What about changing the price to try and get more sales?
  - What about offering a special deal? Like buy 2 get one free, get a free cool drink if you buy five products.
  - What else can you do to promote your product so that people know that you are out there?
- Where did you spend money wisely?
- Where did you “waste” money that you must avoid in future?
- If you sold on credit and it didn't work, discipline yourself not to make that mistake again

You may need to spend more on Marketing in order for your customers to know that you exist. Work on building relationships, being reliable, trustworthy, friendly and so forth. Review the Values that we teach and ask yourself where you need to change. It's not only price that makes people come back. If you are reliable and they know they always get great service from you or excellent quality, they will choose you over your competitors.

Then the cycle starts again. PLAN – SPEND – MAKE – SELL – REVIEW. The Business Cycle may be longer or shorter depending how long it takes to manufacture but each step is essential you help you measure your progress and show you what is working and what is not working.

## Planning & Record Keeping

In the BEST Training we learnt how to use a number of tools to assist us to plan well & keep good records.

- Are you still using these?
- Let's recall the tools that you learnt and recap how they should be used:

If you don't keep records it's like driving a car with a blind fold on. Your business will **CRASH!!** Records enable you to see where your business is going so that you can understand and take action if needed.

	<u>TOOL</u>	<u>What the tool is</u>		<u>PURPOSE</u>
1.	B – E – S Wallet	B	<b>Business expenses:</b> <ul style="list-style-type: none"> <li>• e.g. raw materials, manufacturing costs, transport to buy &amp; sell, cell phone, business rent, loan repayments, marketing costs</li> </ul>	<ul style="list-style-type: none"> <li>➤ It is <b>very important</b> to keep the money you will use for your business <b>separate</b> from the money you need for your household. Always re-invest your profits so that your business will grow and be sustainable</li> <li>➤ Taking money from <b>B</b> for <b>E</b> can cause your business to fail</li> <li>➤ If there is no money in <b>S</b> when you have a "life card" you will need to take it from <b>B</b> or <b>E</b> which may cause your business to fail</li> </ul>
		E	<b>Home Expenses</b> (and all "non-business" expenses): <ul style="list-style-type: none"> <li>• e.g. food, home rent, clothes, school fees, insurance, transport, presents, holidays</li> </ul>	
		S	<b>Savings:</b> <ul style="list-style-type: none"> <li>• Money set aside to pay for "unplanned events"</li> <li>• e.g. loss or theft of products, medical costs, funeral, repair of broken equipment</li> </ul>	
2	Business Plan	<ul style="list-style-type: none"> <li>• A process designed to help you think through all the aspects of your business idea in order to give your business the best chance to succeed</li> </ul>		<ul style="list-style-type: none"> <li>➤ Understand your market</li> <li>➤ Forecast your sales &amp; earnings</li> <li>➤ Manage your risks</li> </ul>
3	Daily / Monthly Record Sheet	<ul style="list-style-type: none"> <li>• System to track all income and expenses</li> <li>• Recorded &amp; Calculated <b>daily</b></li> </ul>		<ul style="list-style-type: none"> <li>➤ Know <b>where</b> and <b>when</b> money comes in and goes out</li> <li>➤ Know <b>what</b> you spend money on</li> </ul>
4	Analysis of My Business	<ul style="list-style-type: none"> <li>• Process and method of calculating Key Indicators</li> <li>• Recorded &amp; Calculated monthly</li> </ul>		<ul style="list-style-type: none"> <li>➤ Know your Gross &amp; Net Profit</li> <li>➤ Know <b>which product</b> gives the best profit</li> </ul>