

## PRELIMINARY BUSINESS PLAN – GUIDELINES

- *The purpose of a business plan is to provide a concrete description of future operations and a clear and structured overview of the operations' profitability and viability.*
- *The first year is always the most important one to an entrepreneur. It is a good idea to have a vision of where the company might be in three years' time, but planning five to 10 years ahead is too much at this point.*
- *Be realistic and practical, as theories and pipedreams will not be helpful.*

### **A business plan is useful for:**

- ***The entrepreneur as a practical tool and a 'roadmap'.***
- ***Potential sponsors will always require that a company have one.***
- ***Also required when using expert help in assessing operations.***

### **Basic information:**

- ***What is the current stage – planning or kick-off?***
- ***When do you intend to start operating?***
- ***Are you going it alone or will partners join you?***

## 1. BUSINESS CONCEPT

Write a short summary of your business concept (no more than half an A4-size page). You should describe your business concept in a few sentences, stating what you are selling, to whom and how you operate. The more concise your description, the more plausible you will sound.

A business concept must answer three questions:

- What are you selling?
- Whom are you selling it to?
- How do you sell it?

### **Check the following:**

- ***Are you able to explain in one minute in a non-technical way to a person previously unfamiliar to you why your company exists and what it does?***

## 2. SKILLS

Being an entrepreneur is based on two skill sets:

- entrepreneurial skills
- professional skills

Entrepreneurial skills: Things that will benefit you as an entrepreneur are key here. These include having a systematic approach and skills in marketing and sales, being interested in your company's finances and figures and having any previous experience in running a company.

Professional skills: What skills and knowledge do you have? Professional expertise and qualifications are usually the most important ones. Alternatively, you may have gained your skills through hobbies or daily activities.

What sort of networks do you have and how do you intend to take advantage of them in your business operations?

***Check the following:***

- ***Do you have sufficient skills and a support network promoting your success as an entrepreneur?***

### **3. SWOT**

**(S = Strengths, W = Weaknesses, O = Opportunities, T = Threats)**

Identify the following factors for your operations:

- Strengths (internal) – Opportunities (external)
- Weaknesses (internal) – Threats (external)

You can analyse yourself, your team, your business operations and your services and products. Be honest with yourself and try to view things from various angles.

***Check the following:***

- ***Have you taken all of the aspects in every category into account?***
- ***Take advantage of your network and request their input, if necessary.***

### **4. PRODUCT/SERVICE/PRODUCTISATION**

Productisation focuses on the customers and their needs, and aims to provide added value to the customers.

It makes sense that you productise your products and services to match the needs of your potential customers. This will help them decide to buy from you.

What have you done to identify your potential customer groups and their consumer behaviour?

What products or services are you offering to your customers? Have you considered how to turn them into different types of product and service packages and how these packages might differ from the products and services of your competitors?

Productisation helps your company stand out and establish its own brand. Have you thought about the image that you want to create for your company with your product? Successful productisation makes pricing, sales and marketing easier. It will also allow you to reach your targets more efficiently, saving valuable time.

Changing your prices later is difficult, so it pays to do the calculations carefully.

**What is the pricing based on for you and/or your customers? Price is one of the factors affecting a decision to buy, but it is not the only one.**

**Price affects profitability: Every euro your company earns from its products/services will increase its profitability.**

***Check the following:***

- ***Does every product of your company have:***
  - ***a name***
  - ***content***
  - ***benefits***
  - ***a price?***

## **5. CUSTOMERS**

It is important that an entrepreneur is familiar with their customers: what are their expectations, which features of a product or service do they value and which features do they not consider particularly significant?

Explain what your main target groups are and think about why they buy your products.

It makes sense to group your B2B clients, for example according to:

- business sector
- size and/or location and
- values.

If your target group consists of business clients, try to describe them and identify why each of them buys your services.

You can group consumer customers based on the following, for example:

- age and gender
- values and consumer habits
- income level
- education level
- family size or place of residence.

If your target group consists of consumer customers, try to describe them and identify why each target group buys your services.

### Target groups

Group 1                      Group 2                      Group 3                      , etc.

Detailed description. Who and why?

**An entrepreneur must have a balanced set of skills, products and customers. This will provide the company with an edge (=unbeatable expertise) over its competitors.**

Please also factor in:

- The number of customers you expect to reach within different customer groups.
- Who is the payer, the purchaser and the end user?

**Check the following:**

- **Do you have clear target groups for marketing?**
- **How many paying customers do you have in different target groups?**
- **Do you know the size of an average purchase in your field?**

## 6. MARKET SITUATION

Before launching a business, you should assess the market situation and how companies on your market operate. Analyse the situation:

- How well acquainted are you with the current market situation?
- What level of demand is there for your products and services?
- Which direction is the sector headed in the next two years?
- What sort of seasonal fluctuation does your sector experience?
- What have you done to assess and identify the situation?

**Check the following:**

- **Are you familiar with the operating models and rules in your field?**
- **Is your intended launch timing good and does it fit your high season?**

## 7. COMPETITORS

It is important to know your competitors, their products and operating models. Analyse and study other companies, their products/services and operations.

An entrepreneur should be able to differentiate themselves from their competitors by utilising elements that their customers value. This will allow more flexibility in pricing, which in turn will mean better financial results.

**Use the following questions to help you identify and describe your competitors.**

- Explain who your 3–5 main competitors are and why.
- What products or services do your competitors sell?
- How do your competitors' products or services differ from yours? (Study their pricing, delivery times, brands, customer satisfaction rates, etc.)
- How do your competitors promote their sales? Which marketing tools do they use? Keeping an eye on a competitor's marketing and sales promotion measures is useful.
- Which things do you do the same way and which ones do you do differently or better?
- Is it possible to work together with your competitors? (E.g. subcontracting)

***Check the following:***

- ***Can you name your three main competitors?***
- ***Why would a customer buy from you and not from your competitor, and vice versa?***
- ***Can you describe your competitive edge in practical terms?***

## **8. GOALS**

When launching a business venture, you should set measurable goals for your company or yourself for the first year.

You can further divide the first year into two six-month segments, or any other periods that best suit your field of operations.

Potential measurable elements include turnover, profitability, references, how well known your company is, your own income level, number of clicks, etc.

***Check the following:***

- ***Have you selected a few key factors you want to measure?***
- ***What is your goal for the first year and where do you want to be in three years after launching?***

## **9. MARKETING PLAN**

Once you have made a productisation plan, complete with prices, and have clearly identified your customer target groups, you can reach your customers with correctly targeted marketing.

Target your marketing at different customer groups using the right channels at the right time.

Knowing your goal and being familiar with your target groups will allow you to determine the marketing measures you should take, making their implementation easier. Studying your competitors will also provide you with tips on how to carry out your marketing.

**Use the following questions to help you plan and execute your marketing measures:**

- What do you want to achieve through marketing, e.g. increasing the number of customers, increasing sales volumes, increasing customer awareness of your company and/or creating a brand?
- What are your measurable marketing goals for the first 6 and 12 months?
- How many customers do you have to reach in order to meet your marketing goals?
- What is your marketing budget for the next 6 and 12 months?
- Which marketing channels can best reach your target groups?
- When will you use fliers or advertisements, or will you take part in business expos and other events?
- Social media in general means nothing, and instead you must identify its different channels and consider which ones you want to use, why, when and using what sort of themes?
- How and with which indicators are you monitoring your marketing results?

***Check the following:***

- ***Have you decided on the measures you will take before founding a company and during the early days of your operations (e.g. creating a website with search engine friendly content, utilising networks)?***
- ***Have you carefully planned and scheduled these steps?***
- ***Do you know which marketing channels can best reach your target groups?***
- ***Have you carefully designed and scheduled your output through different channels?***

## **10. SALES PLAN**

Successful sales determines whether a business will survive. Plan and execute your plan carefully! Knowing what your productisation process, pricing, customer target groups and competitive edge are will allow you to plan and conduct your sales considerably more efficiently.

Create a weekly and monthly sales calendar for yourself. This will provide a direction and a solid framework for systematic sales efforts.

Your sales plan should include goals that you can clearly measure.

If your target group is business clients, calculate the number of companies you must gain as your clients in order for your operations to be profitable. Make a list of potential B2B clients and plan when to contact them.

If your target group consists of consumers, think whether it is possible to reach them through other companies and operators. Make a list of potential partners and plan when to contact them.

***Check the following:***

- ***Have you created your sales calendar?***
- ***Calculate the number of calls, emails or meetings you must have per week/month in order to reach your sales goal.***

## **11. YOUR COMPANY**

Starting a company is quick and easy. Consider what the most suitable business entity type for your operations is and why. Where will your company operate? Will you need a rental facility, business premises, an office, a warehouse, etc.?

Consider also, what your company's vision is for the next three years. What will you aim to achieve and how can you reach your targets?

If you are starting a business with others, you should sign a shareholders' agreement at the time of registering your company. Decide when you want to sign the agreement, what its scope will be and who will draw it up.

If your business is a limited liability company, decide how you divide the shares between you and how you make decisions in case of any unexpected crises.

***Check the following:***

- ***What are your grounds for choosing your specific business entity type?***
- ***If you have chosen a limited liability company, how will you divide the shares between the partners?***

## **12. BUDGETTING**

In most cases, it is wise for entrepreneurs to focus on running their business and letting an accountancy firm take care of the books. It is also prudent to listen to experts when creating a budget and financial statements.

Plan how you intend to acquire the necessary funding, guarantees and operating capital. Decide who will manage your accounts and how. You can do this even before you have launched your company.

Check your YEL pension insurance bracket and its impact for you, and identify all other optional insurance policies. Will they cover you for all conceivable risks?

Decide which bank, invoice software and payment methods you intend to use.

**Check the following:**

- ***Have you searched for the best quote from an accountant, bank and insurance company?***
- ***Have you decided how to manage your finances and invoices?***
- ***When will your company's sales reach a point where you are able to pay the company's running costs and sufficient wages for yourself? How much operating capital will you need until you get to that level?***
- ***Please note! It can often take as long as three to six months from launch, depending on the sector and entrepreneur, before reaching sufficient sales levels.***

## **CALCULATIONS**

A complete business plan will steer your operations and, above all, help you with time management.

You must also base your calculations on your plan. These are only estimates, but you should base them on your plan, not guesswork, as the latter provides no foundation whatsoever.

For their first year of operation, entrepreneurs should create at least the following:

- **an investment calculation**
- **a profitability calculation**
- **a sales calculation.**

Furthermore, a monthly **cash flow calculation** will give you a clearer picture of your financial situation during seasonal fluctuation.