

# PGH Corporate

HOW TO PREPARE FAST,  
STUNNING & COMPREHENSIVE

# BUSINESS PLANS

VOLUME - 2

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# BUSINESS PLANS



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# BUSINESS PLANS

# 01



PGH Corporate

## DEVELOPING A BUSINESS PLAN

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# BUSINESS PLANS

## INTRODUCTION

A business plan is essential if you are serious about the success of your business venture.

Far too many people who prepare a Business Plan concentrate on how it looks rather than what it contains.

The major benefit of the Business Plan is the analytical thinking and re-examination of your business in light of a constantly changing marketplace.

The process of creating a business plan forces you to take a realistic and, more or less, detached look at your business as a whole. Why is it so important to see your venture as a whole?

Most people who have business ideas deal with them in a disorganised way. Putting a business plan together and writing down specifics provides you with the opportunity to evaluate your business, then proceed to implement it.

A finished business plan becomes an operating tool which helps you manage your business and work towards its success. The completed plan is the chief instrument for communicating your ideas to others - business people, bankers, partners, etc.

If you plan to seek finance for your business, the business plan becomes the basis for your loan application.







## STEPS TO DEVELOPING A PLAN

There are four steps in preparing  
a Business Plan.

### STEP 1: COLLECT INFORMATION

Gather information on the product, business, market, industry, economic  
climate and anything else relevant.

# INESS NS



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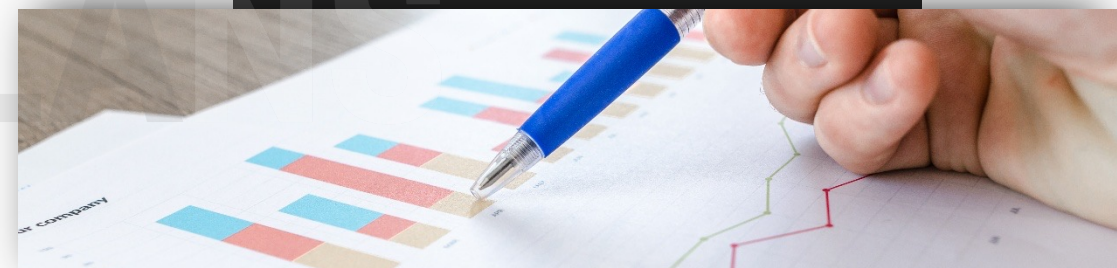
## STEP 2: ANALYSE THE INFORMATION COLLECTED

- Take all the information collected and analyse how it will affect the success of the business.
- When reviewing markets make sure you analyse by segments. Review both the actual sales vs potential performance.
- Use a SWOT analysis (Strengths, weaknesses, opportunities & threats) and make sure you list the impact of each criteria.
- This will help you to develop your strategies?

## STEP 3: FORM A STRATEGY

### DECIDE HOW

- the business will function
- the product will be marketed, including packaging, selling, advertising and so on (marketing plan)
- finances will be arranged, including sales forecasts, budgets, cash flow forecasts, profit and loss statements and so on (financial plan)
- the business will operate, including supply sources, equipment, materials, and so on (operational plan).





# BUSINESS PLANS

## STEP 4: PREPARE THE PLAN

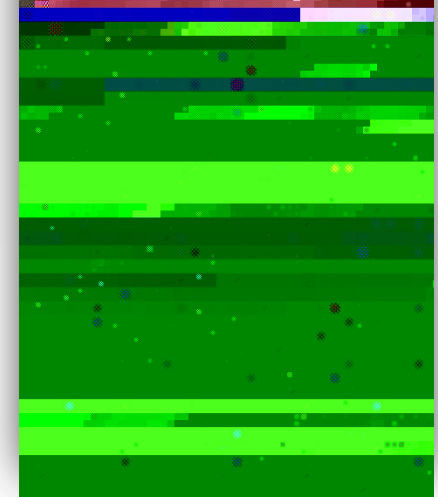
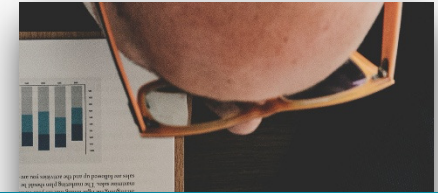
**PUT ALL THE INFORMATION TOGETHER INTO ONE CONSOLIDATED BUSINESS PLAN. THE PLAN ITSELF SHOULD BE:**

**clear** – use simple language and short sentences, use tables and diagrams where possible, and do not use too many adjectives

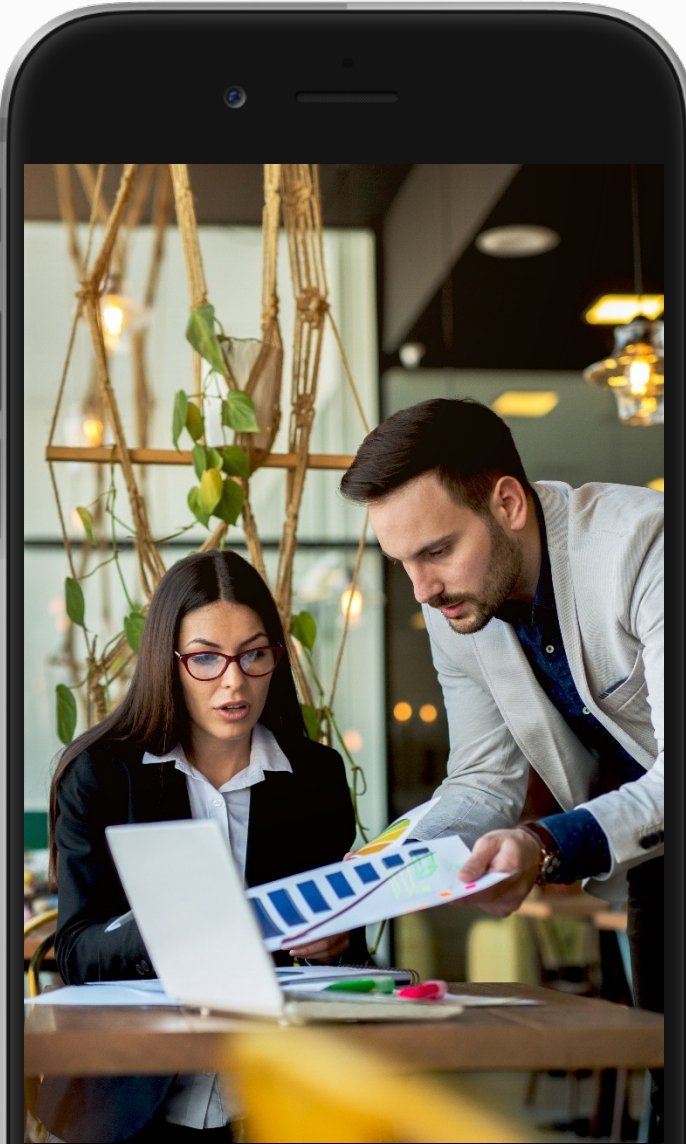
**brief** – only use essential and useful information (eg if asking for finance, tailor the plan to the request – do not produce a comprehensive plan to ask for a small loan)

**truthful** – the business plan should not exaggerate – an outside person will probably see through the exaggeration and react unfavourably and the business person must have a realistic idea of the state of their business

**logical** – the way the business plan is prepared will indicate to outsiders how the business will be run, and should reflect the business person's realistic idea of the state of their business.



# BUSINESS PLANS

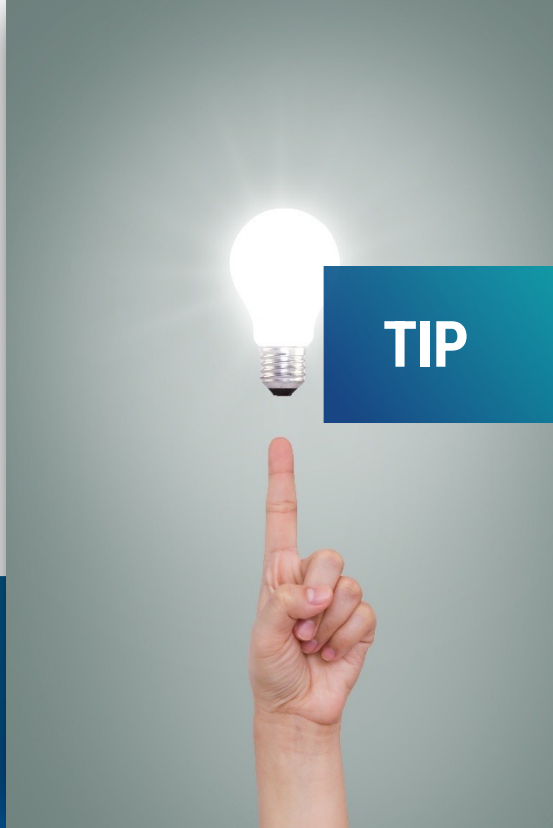


## DESIGNING AND PRESENTING THE PLAN

Obviously, the precise contents of any business plan will depend on the nature of the business concerned, and the purpose for which the business plan is being prepared.

The business plan should have a clean, precise and a professional look when it is completed.





## TIP

There is no way to anticipate everything that every business should put in its business plan. The list given above is only a guide. A good rule of thumb is that the basic business plan should include all the information the business person needs to run the business efficiently. If the business plan is then to be used for a specific purpose for which some information is not needed, that information can simply be removed.

If it is a new start business much of the information for the initial business plan will be available from any feasibility studies carried out when the business was being contemplated.

## CHECKLIST

- ✓ a cover page
- ✓ a contents page
- ✓ an executive summary
- ✓ business background: structure and organisation
- ✓ analysis of strengths, weaknesses, opportunities and threats
- ✓ the market(s) and marketing strategies
- ✓ strategies for other key areas such as production and human resources
- ✓ profit performance
- ✓ financial projections.



# BUSINESS PLAN

## 02



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## STARTING POINT

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## COVER PAGE

The first part of your business plan will involve creating a cover page. This will include:

- ✓ Trading name of your business
- ✓ Period covered by the plan
- ✓ Plan prepared by
- ✓ Plan prepared for
- ✓ Date of preparation

# BUSINESS PLANS



## CONTENTS PAGE

After your cover page, you will have to put together a contents page. This should incorporate:

- ✓ Summary of the plan
- ✓ Business background: structure and organisation
- ✓ SWOT analysis: strengths, weaknesses, opportunities and threats
- ✓ The market and marketing strategies
- ✓ Strategies for other key areas
- ✓ Profit performance
- ✓ Financial projections
- ✓ Projected operating results
- ✓ Projected capital expenditure
- ✓ Projected cash flow
- ✓ Projected balance sheet
- ✓ Business ratios



# BUSINESS PLANS



## EXECUTIVE SUMMARY

This draws together the highlights from your completed business plan. It should appear after the contents page at the beginning of your plan. It should be a brief, informative overview and emphasise those factors that will make your business successful.

The completed summary of the plan will probably include the following elements:

✓ **MISSION STATEMENT – YOUR MISSION STATEMENT SHOULD ANSWER FOUR QUESTIONS:**

1. What is your business all about?
2. What are your products or services?
3. What are your goals and objectives for achieving success?
4. How will your business reach these goals and objectives and be successful?

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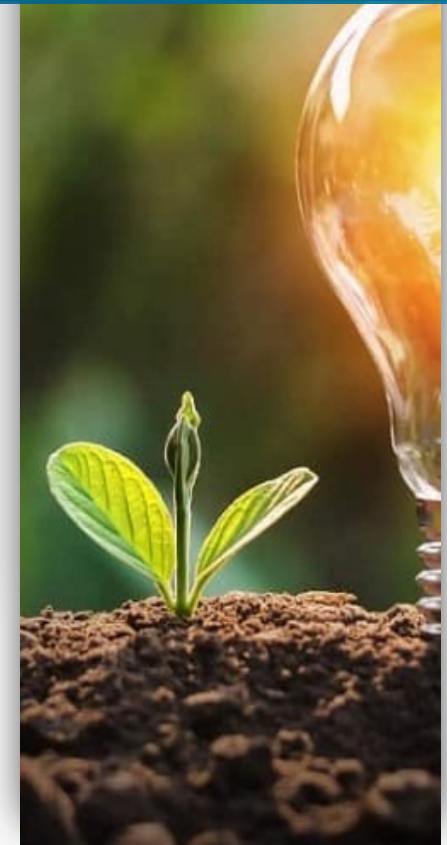
## ✓ **PLAN RESULTS IN TERMS OF**

- sales
- gross profit
- net profit
- cash flow.

## ✓ **A SUMMARY OF THE KEY FEATURES OF YOUR PLANNED FINANCIAL POSITION AT YEAR-END, PARTICULARLY WITH REGARD TO "GEARING", THE RELATIONSHIP BETWEEN SHAREHOLDERS' FUNDS AND OUTSIDE BORROWINGS. SHOW HOW THESE WILL MOVE OVER THE COURSE OF THE PERIOD OF YOUR BUSINESS PLAN.**

## ✓ **MARKET ANALYSIS**

## ✓ **OTHER STRATEGIES (EG PRODUCTION, HUMAN RESOURCES).**



# BUSINESS PLANS

## 03



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## BUSINESS BACKGROUND

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## STRUCTURE AND ORGANISATION

The purpose of this section is to provide an overview of how the business operates, its key personnel, and how it all fits together.

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## BACKGROUND

- ✓ When was the business established?
- ✓ Where is the business located?
- ✓ What type of business? **E.g:**
  - manufacturing
  - retail
  - wholesale
  - service
  - other
- ✓ What are the business facilities?
- ✓ How many employees?

## HOW IS THE BUSINESS STRUCTURED?

**Company** – a proprietary company may have one or more members and is usually formed for the purpose of acquiring profit. It is a complex form of organisation bound by the Corporations Law.

**Sole proprietor** – a sole proprietor is the sole owner of the business and has complete control of its operation.

**Partnership** – a partnership is the legal relationship of two or more persons carrying on business together with a view to profit.

**Other** – other types of business structures include joint ventures, co-operatives, and trusts.

## STRUCTURE



# BUSINESS PLAN

## ORGANISATION

An organisation chart is a diagram describing the basic roles, responsibilities & reporting hierarchy within an organisation.

**Include in your plan an organisational chart showing:**

- ✓ the relationship between departments
- ✓ the key responsibilities of each department
- ✓ the number of staff in each department
- ✓ any planned changes to the organisation during the period of your business plan
- ✓ a brief resume of key staff to provide an insight into the quality of management.





# BUSINESS PLANS

## 04



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## SWOT ANALYSIS

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## SWOT ANALYSIS: STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

A key feature of your business plan is to show how you will take advantage of opportunities and strengths, overcome weaknesses and head off threats.

This section of a business plan is an internal assessment of the strengths and weaknesses of a business and an external assessment of its opportunities and threats.



# BUSINESS

# BUSINESS PLANS



Competitive advantage is that special edge that allows a company to deal with the market and other external factors better than its competitors.

**What advantages from your business' strengths can be turned into competitive advantages? Examples include:**

- ✓ skilled workforce
- ✓ strong reputation in the market
- ✓ quality of service
- ✓ market share
- ✓ management skills
- ✓ strong financial position.





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**A CLEAR UNDERSTANDING OF WEAKNESSES  
WITHIN YOUR BUSINESS WILL HELP TO FORM  
A REALISTIC RESPONSE TO OVERCOMING  
THEM. EXAMPLES INCLUDE:**

- ✓ outdated facilities
- ✓ outdated technology
- ✓ undercapitalisation
- ✓ unstable workforce
- ✓ past planning failures
- ✓ poor customer relations.

## WEAKNESSES



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External forces can change rapidly and management needs to be vigilant and respond quickly.

## **PROFITABLE OPPORTUNITIES MAY BE AVAILABLE TO YOUR BUSINESS THROUGH:**

- ✓ new and changing customer needs
- ✓ development of new products or services
- ✓ government policies
- ✓ changing economic factors
- ✓ new technologies
- ✓ weak competition
- ✓ other factors.



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## THREATS

### YOU WILL NEED TO CONSIDER YOUR RESPONSE TO THE FOLLOWING:

- ✓ actions taken by competitors, including:
  - pricing
  - special offers
  - discounting
  - promotions
  - strategic alliances (a form of business co-ownership that creates corporate entities through the co-operation of two or more firms)
  - product enhancements
- ✓ changes in customer preferences and buying behaviour
- ✓ economic factors
- ✓ shortages of resources
  - Materials
  - skilled staff
- ✓ legal issues, include:
  - legislation (national and state)
  - by-laws (local)
  - contract law
  - other legal issues
- ✓ developments in technology
- ✓ other factors.



# BUSINESS PLANS

## 05



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## OBJECTIVES

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## SMART OBJECTIVES

The most important requirement of an objective is that it must be both measurable and quantifiable.

A broad objective such as "to increase sales" is not specific enough to be of any real value because, at the end of the year, how does the organisation determine whether or not it has met its objectives?

Should the organisation be happy with a 2% increase or a 20% increase?

The implications can be seen in projecting cash, promotional, personnel and inventory needs based on such a wide range of possibilities.

Objectives should be analysed to see if they are SMART Objectives: This is an acronym for Specific, Measurable, Achievable, Realistic and Time Bound.



# EXIT & SUCCESSION



## SAMPLE LIST OF OBJECTIVES

THE FOLLOWING IS A HANDY LIST OF OBJECTIVES.

### SHAREHOLDER (EXIT, SUCCESSION, INVESTOR) GOALS:

- ✓ To sell the business in 3 years time for \$5 million dollars.
- ✓ To develop and implement an achievable succession plan by March 20XX



# BUSINESS PLANS

A photograph of several business professionals in an office setting, with a blue semi-transparent box overlaid in the center containing the text 'SAMPLE OBJECTIVES'.

## SAMPLE OBJECTIVES

### CORPORATE OBJECTIVES (GOALS)

#### Short Term

- ✓ To increase sales turnover from \$1.8m to \$2.6m in the next financial year.
- ✓ To delegate more responsibility to the product managers.
- ✓ To increase profitability to 6%.

#### Long Term

- ✓ To achieve sales of \$3m in 20XX.
- ✓ To achieve sales of \$5m in 20XX

### ENVIRONMENTAL CORPORATE OBJECTIVES

- ✓ To reduce our electricity consumption by 10%.
- ✓ To reduce hazardous waste from production by 10%.
- ✓ Become Carbon Neutral by 2001X

# BUSINESS PLANS

## CHARITABLE OBJECTIVES

- ✓ To provide \$5,000 to charities in 200X

## MARKETING OBJECTIVES (GOALS)

- ✓ To achieve 10% market share of product A in market Y.
- ✓ To achieve 15% market share of product B in market Y.
- ✓ To decrease the number of lost customers from 10% to 5%.
- ✓ To increase enquiries to orders from 15% to 25%.

## SUGGESTED WEB MARKETING

- ✓ We wish to drive 20,000 unique visitors to our website each month.
- ✓ We will convert 1000 of these to more information kits.
- ✓ We will convert 200 of these to customers.
- ✓ We will spend \$5,000 on our PPC campaign.
- ✓ We will spend \$2,000 on upgrading our website.



# BUSINESS PLANS



## SAMPLE OBJECTIVES

### SUGGESTED SALES AND LEAD GENERATION GOALS

- ✓ To drive 3000 leads into the business every month.
- ✓ To set a target of 15 follow ups a day.
- ✓ To have a conversion to meeting ratio of 15%.
- ✓ To have a conversion to sales ratio of 25%.

### PRODUCTION OBJECTIVES (GOALS)

- ✓ To reduce material costs from 38% to 36%.
- ✓ To reduce wages costs from 28% to 25%.
- ✓ To reduce direct costs from 23% to 20.5%.
- ✓ To reduce reject rate from 10% to 7%.



# BUSINESS PLANS

## FINANCIAL OBJECTIVES (GOALS)

- ✓ To reduce sales on credit from 65% to 43%.
- ✓ To reduce the overdraft from \$100,000 to \$50,000.
- ✓ To reduce the amount of lease payments by 50%.

## HUMAN RESOURCE OBJECTIVES (GOALS)

- ✓ To promote pro-active management.
- ✓ To employ two new staff.
- ✓ To conduct four training courses on customer service



# BUSINESS PLAN

## 06



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## STRATEGY

# BUSINESS PLANS



## DEFINING YOUR MARKET

Use this section to document what you plan to do in marketing terms to achieve your business' profit target, while responding to your SWOT analysis.



# BUSINESS PLAN

## MARKETING STRATEGIES

Marketing strategy is the determination of a business's objectives, the selection of its target markets, the development of an appropriate mix for each and the allocation of the resources necessary to achieve its goals.

It is important to understand that the practicality of your business plan is determined to a large degree by how realistic the sales forecasts and the supporting marketing strategy are. To develop an effective marketing strategy you will need to understand your market and the customers to whom you wish to sell.



# BUSINESS PLANS



**PRICE** – How the product will be priced to ensure it will be profitable to the business.

**PRODUCT** - product features and the quality of the product

**PROMOTION** – how you will market and sell each product. Including a full analysis by market segment.

**CUSTOMER SERVICE** –Include a plan for the level of service to the customer

**PLACE** – How you will distribute the product.

**THE FOUR VARIABLES YOU  
CAN USE TO SHAPE YOUR  
MARKETING STRATEGIES  
FOR MEETING CUSTOMER  
NEEDS ARE:**

# BUSINESS PLANS

## MARKET SEGMENTATION

Market segmentation is a very important concept in business planning. Basically, it means to break up a large market into a number of smaller markets which have similar wants or needs.

By doing this you will be better able to target your product to meet the needs of these people.

You can break up your potential customers (or market) by using a number of different factors such as age, sex, geography, income, benefits and many more. The easiest way to explain the concept is to give some examples.





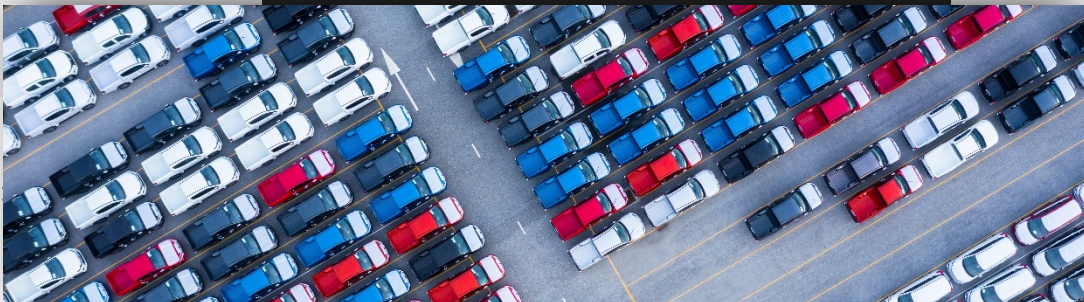
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**The automobile market can firstly be broken into the consumer and industrial market segments. The consumer automobile market can then be further broken into the following segments:**

- ✓ People that buy cars for safety reasons.
- ✓ People that buy cars for economy.
- ✓ People that buy cars for prestige.
- ✓ People that buy cars for performance.
- ✓ People that buy cars for size (e.g. families).
- ✓ People that buy cars for off-road pursuits.

If you were preparing a business plan for a company in this market you would obviously have to develop a different price, product, promotion and distribution strategy for each segment. Consider the pricing, style and promotion of a Volvo compared to that of a VW. In each segment there are different environmental influencers and competitors.



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## STRATEGIES FOR OTHER KEY AREAS

Use this section to develop strategies regarding the other key areas of your business, especially where they support your marketing strategies and sales forecasts.



# BUSINESS PLANS

# BUSINESS PLANS



## PRODUCTION STRATEGIES

Write a brief description of the processes and technology your business uses to deliver your product or products.



## CHECKLIST



- ✓ Are you using a quality program?
- ✓ Do you hold the following on any of your products:
  - ✓ patent?
  - ✓ copyright?
  - ✓ trade mark?
- ✓ Do you lease your plant on:
  - ✓ short term?
  - ✓ long term?
- ✓ What is your relationship with suppliers? In relation to their products, how do you rate:
  - ✓ availability?
  - ✓ quality?
  - ✓ cost of materials?
- ✓ What is your capacity to meet production schedules?
- ✓ What is your long-term capacity for future growth?

# BUSINESS PLANS



## HUMAN RESOURCE STRATEGIES

The ability of your business to achieve the objectives and strategies of your business plan is linked to the effective management of your human resources. Members of staff working either as individuals or as team members will be responsible for:

- ✓ achieving your financial goals
- ✓ achieving your production goals
- ✓ increasing opportunities to sell products and provide services
- ✓ increasing their own skills and abilities through training.

You have already covered some human resources matters under "Business background: structure and organisation".



# BUSINESS PLANS

## CHECKLIST



- ✓ Do you have productivity incentives?
- ✓ Do you recognise achievements?
- ✓ What is your training policy?
- ✓ How do you involve your employees in:
  - decision making?
  - planning?
  - job design?



# BUSINESS PLANS

## 07



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## FINANCIAL EXPLANATION

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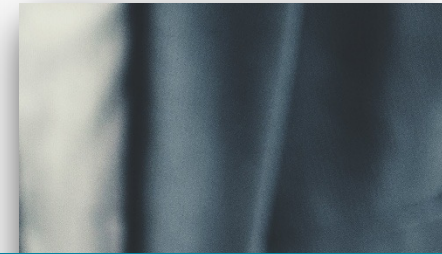
# BUSINESS PLANS

## PROFIT PERFORMANCE

This key section is used to describe important features of the profit you plan to achieve in the period covered by the business plan.

### THE PROFIT TARGET

- ✓ State your planned level of profit for the year.
- ✓ Relate this profit to sales and any other key variables.
- ✓ Compare your profit target to actual profit achieved in previous years.



# BUSINESS PLANS



State the purposes for which you need to earn profit and the dollar amount involved in each case. There are six possibilities:

1. to meet loan repayments
2. to pay company income tax
3. to finance growth in working capital items – namely, stock and/or debtors
4. to remunerate the owners of the business in the form of dividends, salaries or other compensation
5. to finance the purchase of fixed assets
6. to plough back (retain) profit in the company for the purpose of recouping any past losses and/or financing growth and expansion.



# BUSINESS PLANS

Identify and describe the key success factors on which the achievement of your profit depends. For example, factors relating to how well you:

- ✓ keep in touch with customer needs
- ✓ meet these needs
- ✓ control your costs.

**KEY FACTORS ON WHICH  
PROFIT PERFORMANCE  
DEPENDS**



# BUSINESS PLANS

## FINANCIAL PROJECTIONS

This section is used to set out your financial projections for the year based on the information in previous sections. These projections will comprise of:

- ✓ operating results
- ✓ capital expenditure
- ✓ cash flow (Statement of Financial Position)
- ✓ balance sheet
- ✓ business ratios – these ratios are useful to include in a business plan, particularly when making presentations to lending institutions, which often compare the ratios supplied with averages from similar industries to help them gauge the feasibility of the application.

Precede each of these topics with brief commentary to highlight key points.

**Attach your Financial Statements**

# BUSINESS PLAN

# 08



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## **SAMPLE BUSINESS PLAN**

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# BUSINESS PLANS



## SAMPLE BUSINESS PLAN

The following is an example of a business plan a company such as Highland Knitwear would do.

### Business Plan

for: **Highland Knitwear Corporation**

Period covered: **1 Jan 1999 to 31 Dec 1999**

Prepared by: **Managing Director**

Prepared for: **Manager, Acme Bank**

Date of preparation: **31 March 1999**

# BUSINESS PLANS



## CONTENTS PAGE

Highland Knitwear Corporation

- Summary of the plan
- Business background: structure and organisation
- SWOT analysis
- The market and marketing strategies
- Strategies for other key areas
- Profit performance
- Financial projections
- Projected operating results
- Projected capital expenditure
- Projected cash flow
- Projected balance sheet
- Business ratios

# BUSINESS PLANS



## SUMMARY OF THE PLAN

### MISSION STATEMENT

Highland Knitwear is committed to being a profitable, innovative and growing manufacturer of high quality women's knitted garments for the tourist and international market place. It is a long-established manufacturer of high quality women's knitted garments. The company is now in its 29th year of operation.

We plan to expand our sales within niche markets in the tourist sector and build on the inroads already made into the US market with our quality merino wool garments. We intend to expand our markets upon the basis of our reputation for high quality and design.



# BUSINESS PLANS

## PLANNED RESULTS

For the coming year we plan to achieve sales revenue of \$12,200,000 with a net profit before tax and other appropriations of \$1,480,000. These figures compare with the previous year's sales of \$11,533,000 and net profit of \$1,247,000.

Our cash flow projections confirm that Highland Knitwear will continue to operate in the coming year within our present overdraft accommodation of \$1,000,000.

## SUMMARY OF THE PLAN

# BUSINESS PLANS



## MARKET ANALYSIS

Our strategy for achieving these results is based on meeting the needs of a select group of customers; namely those retail stores who seek high-quality garments made of indigenous fibres such as real angora and merino. These are also customers who expect a high level of service from Highland Knitwear commensurate with high-quality garments.

In the coming year we will, therefore, continue to promote quality products and a high level of service as unique features of Highland Knitwear's operation.



# BUSINESS PLANS

## BACKGROUND

Highland Knitwear was established in 1966 and commenced production of women's knitted garments in the same year. In 1987 we moved to a modern manufacturing plant located in the Parkdale Industrial Complex.

The company now employs a total staff of 55, of whom 32 are production workers. Highland Knitwear is a manufacturer of high quality fashion knitwear for the tourist and international marketplace. We hope to export to the Asia-Pacific Region on a more aggressive basis in the future.



## BUSINESS BACKGROUND: STRUCTURE AND ORGANISATION







## BUSINESS BACKGROUND: STRUCTURE AND ORGANISATION

### STRUCTURE

Highland Knitwear is a private company incorporated in 1966. There are three shareholder directors, each of whom works for the company.

# BUSINESS PLANS



## BUSINESS BACKGROUND: STRUCTURE AND ORGANISATION

### ORGANISATION

Hamish McDonald: Managing Director

Flora McDonald: Marketing Director

John Barrington: Finance Director

Hamish McDonald, Managing Director, joined Highland Knitwear in 1987 after acquiring an equity holding in the company. He has held senior marketing and management positions within the clothing industry. In 1986 he completed an MBA through the Australian Graduate School of Management.

Flora McDonald, Marketing Director, also joined Highland Knitwear in 1987. She has had a long working association in the industry and has served for a number of years on the Clothing Industry Export Development Council.

# BUSINESS PLANS

## THE MARKET

Highland Knitwear has 122 retail outlets in the local Australian market and four overseas in the American Midwest. We are aiming to increase the number of our domestic outlets and plan to establish further outlets on the West Coast of the United States. Our customers have traditionally bought on the basis of quality and fashion.

The market for high quality knitwear products, such as ours, is expanding both at home and abroad.

A number of new competitors as well as the established knitwear manufacturers have been active in the market. We have responded by ensuring our designs are contemporary and practical. We have also improved our merchandising presence in the stores by the use of attractive point of sale displays.





# BUSINESS PLANS



## THE MARKET AND MARKETING STRATEGIES

### CUSTOMER NEEDS

Our customers who are buying at the top end of the market, are seeking quality garments in fine indigenous fibres. The only way to achieve a profit in today's competitive markets is to ensure that our products stand out in the view of customers as different and better than our competitors. In other words, we have a "point of difference". Our customers are also looking for a high level of service from sales through to dispatch and we ensure that this is available.

# BUSINESS PLANS

## PRODUCTS

Our fashion knitwear has innovative and contemporary designs and our products are well supported by our advertising program. The analysis of our sales for the last year by product line is as follows:

- ✓ Women's jumpers, twin sets and two-piece suits **92%**
- ✓ Men's pullovers in fine, indigenous wools **3%**
- ✓ Children's garments, also in high-quality wools **5%**

These garments are fashionable, hardwearing and versatile and we base our new designs on proven trends in the market place.



# BUSINESS PLANS



## THE MARKET AND MARKETING STRATEGIES

### OBJECTIVES

#### SHAREHOLDER (EXIT, SUCCESSION, INVESTOR) GOALS:

- ✓ To sell the business in 3 years time for \$5 million dollars.
- ✓ To develop and implement an achievable succession plan by March 20XX

#### CORPORATE OBJECTIVES (GOALS)

##### SHORT TERM

- ✓ To increase sales turnover from \$11.53m to \$12.2m in the next financial year.
- ✓ To delegate more responsibility to the product managers.
- ✓ To increase profitability to 3%.

##### LONG TERM

- ✓ To achieve sales of \$13.5m in 20XX.
- ✓ To achieve sales of \$15m in 20XX.



# BUSINESS PLANS

## ENVIRONMENTAL CORPORATE OBJECTIVES

- ✓ To reduce our electricity consumption by 10%.
- ✓ To reduce hazardous waste from production by 10%.
- ✓ Become Carbon Neutral by 2001X

## CHARITABLE OBJECTIVES

- ✓ To provide \$5,000 to charities in 20XX

## MARKETING OBJECTIVES (GOALS)

- ✓ To achieve 10% market share of product A in market Y.
- ✓ To achieve 15% market share of product B in market Y.
- ✓ To decrease the number of lost customers from 10% to 5%.
- ✓ To increase enquiries to orders from 15% to 25%.



# BUSINESS PLANS



## THE MARKET AND MARKETING STRATEGIES

### SUGGESTED WEB MARKETING

- ✓ We wish to drive 20,000 unique visitors to our website each month.
- ✓ We will convert 1000 of these to more information kits.
- ✓ We will convert 200 of these to customers.
- ✓ We will spend \$5,000 on our PPC campaign.
- ✓ We will spend \$2,000 on upgrading our website.

### SUGGESTED SALES AND LEAD GENERATION GOALS

- ✓ To drive 3000 leads into the business every month.
- ✓ To set a target of 15 follow ups a day.
- ✓ To have a conversion to meeting ratio of 15%.
- ✓ To have a conversion to sales ratio of 25%.



# BUSINESS PLANS

## PRODUCTION OBJECTIVES (GOALS)

- ✓ To reduce material costs from 38% to 36%.
- ✓ To reduce wages costs from 28% to 25%.
- ✓ To reduce direct costs from 23% to 20.5%.
- ✓ To reduce reject rate from 10% to 7%.

## FINANCIAL OBJECTIVES (GOALS)

- ✓ To reduce sales on credit from 65% to 43%.
- ✓ To reduce the overdraft from \$100,000 to \$50,000.
- ✓ To reduce the amount of lease payments by 50%.

## HUMAN RESOURCE OBJECTIVES (GOALS)

- ✓ To promote pro-active management.
- ✓ To employ two new staff.

To conduct four training courses on customer service

The major task objectives for each area of the organisation, together with responsibilities and timings are detailed in the Roll-Out Plan.





# BUSINESS PLANS



## THE MARKET AND MARKETING STRATEGIES

### MARKETING STRATEGIES

Our advertising stresses that the yarn used in our products is of only the highest quality and we ensure that our retailers keep in touch with their customers, ensuring that the designs are in tune with the market requirements. In brief, Highland's marketing effort for the customer is based on three premises:

1. quality products
2. a high level of service
3. customer involvement in the development and selection of new designs.

As a result of these strategies, all garments are priced at a level which reflects those of other manufacturers at the top end of the market.

# BUSINESS PLANS

## PRODUCTION

We will continue our policy of quality checks throughout the production process and this will be enhanced by the rotation of staff, working on the inspection of finished goods.

Yarns will continue to be purchased from existing suppliers with whom we have built a good relationship. Reductions in costs will be achieved through some economies in purchasing, but not at the expense of the quality of the yarn bought.

The company's projected operating results for the coming year provide for a one-shift operation for 40 weeks and two shifts per day for 10 weeks. Other peaks in production can be handled by working further periods at two shifts per day, if required.

We are currently considering the possibility of contracting out some of the manufacturing side of our business. However, the general consensus among the directors is that it could result in a lowering of quality standards for our product.



**STRATEGIES  
FOR OTHER KEY  
AREAS**



# BUSINESS PLANS



## STRATEGIES FOR OTHER KEY AREAS

### HUMAN RESOURCES

In the coming year senior production staff are to attend a four-day Team Skills Workshop. It is the policy of the company in the future to schedule training programs for all departments.

Supervisors from the production department are working alongside the directors looking at job design functions at key stages in our production process. This is expected to improve motivation and increase productivity.





# BUSINESS PLANS

## PROFIT TARGET

As shown in the projected operating results (see next section) we plan to earn a net profit for the coming year (and before any appropriations are made) of \$1,460,000.

**This equates to 11.8% of sales. That is, 11.8¢ in each sales dollar.**

Our planned net profit of \$1,460,000 compares with a net profit of \$1,247,000 for the previous year and this provided 10.6% of sales.

A key factor contributing to the lift in profit projected for the coming year is planned improvement in gross profit, which was 58.4% of sales last year, but is planned at 59.4% for the coming year.



## THE NEED FOR THE PROFIT TARGET

The company requires this profit to finance the following items	\$
Loan repayments	103,000
Company income tax relating to last year	69,000
Remuneration to the three shareholder/directors of the business in the form of salaries	250,000
Financing the purchase of fixed assets	142,000
Putting more working capital into debtors (\$133,000) and stock (\$76,000)	209,000
Balance of profit earned to be retained (ploughed back) in the business	687,000
<b>Total to be financed from profit</b>	<b>1,460,000</b>

# BUSINESS PLANS



## KEEPING IN TOUCH WITH CUSTOMER NEEDS

It is important for Highland to maintain an ongoing dialogue with our retail customers and to keep in touch with their needs for top quality garments - and as a result the needs of their "end customers". This process provides Highland with the ideal opportunity to achieve two additional goals:

- keeping abreast of changes in customer needs
- gathering data about the actions of competitors.





# BUSINESS PLANS

## MEETING NEEDS WITH QUALITY AND SERVICE

Highland must continue to satisfy customer needs on quality and service - and in a manner which makes the company stand out in the minds of these customers. This gives Highland its competitive edge and justifies the company's existence.

## EFFECTIVE STAFF TRAINING

A further key factor in Highland's success in the coming year will be the continuation of our ongoing program of staff training, tied in strongly at all times to customer needs. Training programs have been separately designed for production personnel, marketing staff and so on.



**KEY FACTORS ON  
WHICH PROFIT  
PERFORMANCE DEPENDS**



# BUSINESS PLANS



## KEY FACTORS ON WHICH PROFIT PERFORMANCE DEPENDS

### COST CONTROL

A key factor which helps to account for Highland's relatively high level of profitability (a bottom line equal to 11.8% of sales) is tight control on the costs of the business. This control will be continued into the coming year and is largely based on good communications with employees on all aspects of expenditure incurred.

Highland will continue to reinforce these four "key success factors" in its business as the basis for achieving the level of profit planned.



# BUSINESS PLANS

## OPERATING RESULTS

Comments concerning the planned level of sales, costs and profit appear in earlier sections of this business plan. The importance of maintaining a tight rein on operating costs has also been referred to. However, from an overall point of view the most important factor in the company's ability to achieve a good bottom-line profit is "keeping prices up".

In other words, specialising in quality garments made from keenly sought-after indigenous fibres and supporting these products with a high level of service to the customer.





# BUSINESS PLANS



## FINANCIAL PROJECTIONS

### CAPITAL EXPENDITURE

During the coming year the company will be investing \$142,000 on items of capital expenditure. These will include the purchase of six Hitachi knitting machines to increase our production capacity and an additional computer for use in the design department.

### CASH FLOW

This statement discloses a satisfactory position for the year in which the company continues to operate comfortably within its bank overdraft accommodation of \$1 million.



# BUSINESS PLANS

## BALANCE SHEET

Key points highlighted by this statement of the company's planned financial position are:

- ✓ current assets cover current liabilities well at 2.3 times
- ✓ profits retained in the company are planned to rise from \$1,177,000 to \$1,801,000, during the course of the year
- ✓ of the total funds provided to the business of \$3,993,000, outside creditors provide 38% and shareholders 62% - this reflects a satisfactory gearing for a manufacturing concern such as Highland.

## FINANCIAL PROJECTIONS

## FINANCIAL PROJECTIONS - PROFIT & LOSS FORECAST

\$ '000	% to sales		\$ '000	% to sales
11,753	100	Sales	12,400	100
		Less: Cost of Sales		
998		Opening stock Plus: purchases	1,328	
4,289			4,129	
5,287			5,457	
1,328	33.7	Less: Closing stock	1,404	32.7
		Cost of goods sold		
3,959	7.9	Plus: Direct labour	4,053	7.9
932			982	
4,891	41.6	Total cost of sales	5,035	40.6
6,862	58.4	Gross profit	7,365	59.4
152		Less: Interest	82	
		<b>Less: Other operating costs</b>		
\$ '000	% to sales		\$ '000	% to sales

1,537	46.5	Sales commissions	1,649	46.9
482		Staff salaries	476	
464		Packaging materials	470	
230		Advertising	234	
147		Vehicle expenses	135	
121		Electricity	132	
120		Rent	120	
117		Repairs and maintenance	94	
74		Travel	88	
69		Depreciation	78	
1,475		Other costs	1,716	
627		Freight	631	
5,463		Total Other Op Costs	5,823	
1,247	10.6		1,460	11.8
		<b>NET PROFIT before salaries &amp; tax</b>		
413		Less: Tax	482	
\$834	7.1	NET PROFIT after tax	\$978	7.9

**Note:** there should also be inserted a cash flow statement and a 5 year forecast. If you are an existing business you will include your balance sheet.



# BUSINESS PLANS

## 09



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## NEXT STEPS

# BUSINESS PLANS



## SELF-EDUCATION & SELF HELP

**Books:** There are many books on the subject of Business Planning. We recommend the Timesaving Guide to Business & Marketing Planning by **Peter Hickey** published by **MAUS**.

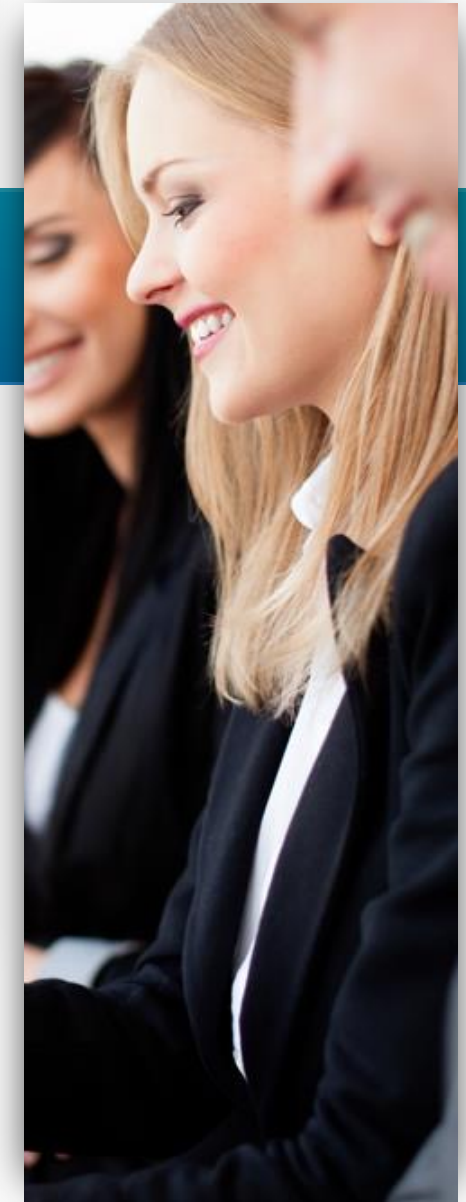
**Software:** In terms of practical self-help solutions. MAUS business systems has a range of software that will help you to improve the value of the business. This includes titles on Business Planning, Job Descriptions, Policies & Procedures, Performance Review, Information Memorandum Writer and more. The software can be found at [www.maus.com](http://www.maus.com). **Free trial downloads are available.**

# BUSINESS PLAN

## APPOINT AN ADVISOR

**You may need to appoint a number of advisors throughout the process. Some of the areas you may need professional help include:**

- ✓ Business Planning
- ✓ Business Coaching
- ✓ Marketing
- ✓ Advertising
- ✓ Market research
- ✓ Web Consultant
- ✓ Financial Advice
- ✓ Business Valuation
- ✓ Tax Planning
- ✓ Legal Issues
- ✓ Personal & Business (including Shareholder Alignment & Timing, Strategy & Value Creation)
- ✓ HR & Succession Issues
- ✓ Equity Capital Raising
- ✓ Business Broking & Transition Issues





# BUSINESS PLANS



## MORE INFORMATION

MAUS has an international network of Business Advisors  
that specialise in Business Planning.



# Thank you ...

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## **ADVISORY ENGAGEMENT OFFER**

We are willing to offer all prospective clients an initial free engagement meeting to determine any possible needs and brainstorm or propose solutions.



**PGH Corporate**



**CERTIFIED**  

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