business plans and marketing strategy

free business planning and marketing tips, samples, examples and tools - how to write a business plan, techniques for writing a marketing strategy, strategic business plans and sales plans

Writing business plans and marketing strategy can be simple.

See the free business plan and marketing plan sample/template.

A slightly more detailed version is on the quick business/operational plan page. Business planning might appear very complex but in essence it's common sense, and begins with some very simple business start-up principles.

To explore personal direction and change (for example for early planning of self-employment or new business start-up) see the passion-to-profit exercise and template on the teambuilding exercises page.

Planning a new business or business project must at some stage address a few financial details, and challenges and opportunities relating to modern technology, the internet, websites, etc.

However the techniques of how to write strategic business plans (or a strategic marketing plan) remain basically straight-forward.

Business planning and marketing strategy are mostly common-sense and logic, based on cause and effect.

Here are tips, examples, techniques, tools and a process for writing a marketing strategy, business and sales plans, to produce effective results. This free online guide explains how to put together a marketing strategy, basic business plan, and a sales plan, including free templates and examples, such as the Ansoff and Boston matrix tools. New pages are being added soon on advertising, sales promotion, PR (public relations) and press releases, sales enquiry lead generation, advertising copy-writing, internet and website marketing, in the meanwhile see the marketing tips page for free marketing and advertising techniques and advice.

See also the simple notes about starting your own business, which to an extent also apply when you are starting a new business initiative or development inside another organisation as a new business development manager, or a similar role.

Here's a free profit and loss account spreadsheet template tool (xls) for incorporating these factors and financials into a more formal phased business trading plan, which also serves as a business forecasting and reporting tool too.

Adapt it to suit your purposes. This plan example is also available as a PDF, see the Profit and Loss Account (P&L) Small Enterprise Business Plan Example (PDF). The numbers could be anything: ten times less, ten times more, a hundred times more - the principle is the same.

Towards the end of this article there is also a simple template/framework for a feasibility study or justification report, such as might be required to win funding, authorisation or approval for starting a project, or the continuation of a project or group, in a commercial or voluntary situation.

If you are starting a new business you might also find the tips and information about buying a franchise business to be helpful, since they cover many basic points about choice of business activity and early planning.

(Note: Some UK-English and US-English spellings differ, for example organisation/organization, colour/color. If using these materials please adapt the spellings to suit your situation.)

how to write strategic marketing plans, business plans and sales plans

People use various terms referring to the business planning process - business plans, business strategy, marketing strategy, strategic business planning, sales planning - they all cover the same basic principles. When faced with business planning or strategy development task it's important to clarify exactly what is required: clarify what needs to be done rather than assume the aim from the description given to it - terms are confused and mean different things to different people. You'll see from the definitions below how flexible these business planning terms are.

business planning definitions

a plan - a statement of intent - a calculated intention to organize effort and resource to achieve an outcome - in this context a plan is in written form, comprising explanation, justification and relevant numerical and financial statistical data. In a business context a plan's numerical data - costs and revenues - are normally scheduled over at least one trading year, broken down weekly, monthly quarterly and cumulatively.

a business - an activity or entity, irrespective of size and autonomy, which is engaged in an activity, normally the provision of products and/or services, to produce commercial gain, extending to non-commercial organizations whose aim may or may not be profit (hence why public service sector schools and hospitals are in this context referred to as 'businesses').

business plan - this is now rightly a very general and flexible term, applicable to the planned activities and aims of any entity, individual group or organization where effort is being converted into results, for example: a small company; a large company; a corner shop; a local window-cleaning business; a regional business; a multi-million pound multi-national corporation; a charity; a school; a hospital; a local council; a government agency or department; a joint-venture; a project within a business or department; a business unit, division, or department within another organization or company, a profit centre or cost centre within an an organization or business; the responsibility of a team or group or an individual. The business entity could also be a proposed start-up, a new business development within an existing organization, a new joint-venture, or any new organizational or business project which aims to convert action into results. The extent to which a business plan includes costs and overheads activities and resources (eg., production, research and development, warehouse, storage, transport, distribution, wastage, shrinkage, head office, training, bad debts, etc) depends on the needs of the business and the purpose of the plan. Large 'executive-level' business plans therefore look rather like a 'predictive profit and loss account', fully itemised down to the 'bottom line'. Business plans written at business unit or departmental level do not generally include financial data outside the department concerned. Most business plans are in effect sales plans or marketing plans or departmental plans, which form the main bias of this guide.

strategy - originally a military term, in a business planning context strategy/strategic means/pertains to why and how the plan will work, in relation to all factors of influence upon the business entity and activity, particularly including competitors (thus the use of a military combative term), customers and demographics, technology and communications.

marketing - believed by many to mean the same as advertising or sales promotion, marketing actually means and covers everything from company culture and positioning, through market research, new business/product development, advertising and promotion, PR (public/press relations), and arguably all of the sales functions as well. Marketing is the process by which a business decides what it will sell, to whom, when and how, and then does it.

marketing plan - logically a plan which details what a business will sell, to whom, when and how, implicitly including the business/marketing strategy. The extent to which financial and commercial numerical data is included depends on the needs of the business. The extent to which this details the sales plan also depends on the needs of the business.

sales - the transactions between the business and its customers whereby services and/or products are provided in return for payment. Sales (sales department/sales team) also describes the activities and resources that enable this process, and sales also describes the revenues that the business derives from the sales activities.

sales plan - a plan describing, quantifying and phased over time, how the the sales will be made and to whom. Some organizations interpret this to be the same as a business plan or a marketing plan.

business strategy - see 'strategy' - it's the same.

marketing strategy - see 'strategy' - it's the same.

service contract - a formal document usually drawn up by the supplier by which the trading arrangement is agreed with the customer. See the section on service contracts and trading agreements.

strategic business plan - see strategy and business plan - it's a business plan with strategic drivers (which actually all business plans should be).

strategic business planning - developing and writing a strategic business plan.

philosophy, values, ethics, vision - these are the fundamentals of business planning, and determine the spirit and integrity of the business or organisation - see the guide to how philosophical and ethical factors fit into the planning process, and also the principles and materials relating to corporate responsibility and ethical leadership.

You can see that many of these terms are interchangeable, so it's important to clarify what needs to be planned for rather than assuming or inferring a meaning from the name given to the task. That said, the principles explained here can be applied to business plans of all sorts. Business plans are often called different names - especially by senior managers and directors delegating a planning exercise that they do not understand well enough to explain. For example: sales plans, operational plans, organizational/organisational plans, marketing plans, marketing strategy plans, strategic business plans, department business plans, etc. Typically these names reflect the department doing the planning, despite which, the planning process and content required in the document is broadly similar.

Other useful and relevant business planning definitions are in the business dictionary; the sales and selling glossary; some are also in the financial terms glossary, and more - especially for training - are in the business and training acronyms listing, which also provides amusing light relief if this business planning gets a little dry (be warned, the acronyms listings contain some adult content).

when writing a business or operating plan, remember...

A useful first rule of business planning is to decide what you are actually trying to achieve and always keep this in mind. Write your aim large as a constant reminder to yourself, and to anyone else involved. Keeping your central aim visible will help you minimise the distractions and distortions which frequently arise during the planning process.

An increasingly vital and perhaps second rule of business planning is to establish a strong ethical philosophy at the outset of your planning. This provides a vital reference for decision-making and strategy from the start. A strong clear ethical code communicates your values to staff, customers, suppliers, and creates a simple consistent basis for operations which conventional financials, processes, systems and even people, do not address. It is very difficult to introduce ethical principles later into an enterprise, especially when planning shifts into implementation, and more so if problems arise relating to integrity, honesty, corporate responsibility, trust, governance, etc., any of which can have massive impact on relationships and reputation. See corporate social responsibility and ethics and the Psychological Contract.

It is easy to address issues of ethics and corporate responsibility when you are the owner of a new enterprise. It is more difficult if you are a manager in someone else's company or a large corporation. Nevertheless ethics and corporate responsibility are highly significant in planning, and strong justification for their proper consideration can now be made. There are now plenty of recent examples of corporations - indeed entire national economies and governments - which have failed because of poor regard to ethical considerations. The world is changing and learning, slowly, but it is, and anyone ignoring ethics in planning today does so at their own peril.

A third crucial requirement for business plans is return on investment, or for public services and non-profit organisations: effective use of investment and resources, which is beyond simple 'cost control'.

For the vast majority of organisations, whether companies, public services, not-for-profit trusts and charities, all organisations need to be financially effective in what they do, otherwise they will cease to function.

Ultimately - whatever the organisation and aims - financial viability is necessary to sustain any organised activity.

While it's essential to manage ethical and socially responsible aspects of organisational aims, these must allow for adequate return on investment (or in less traditional and 'non-profit' enterprises, must allow for the effective use of investment and resources, according to the financial requirements of the particular organisation).

Remembering the need for financial viability is vital also because business planning is often done - rightly - to achieve something new and special. This tends to focus thinking on creativity, innovation, ambition, quality, excellence, perhaps even social good, etc., which can easily distract planning away from the basic need to be financially viable - and crucially not to make a loss. By treating return on investment as a vital requirement of planning we increase the likelihood that plans will be viable and therefore sustainable.

Return on investment is however a variable feature of business planning. It is flexible according to the type of enterprise, its main purpose and philosophy.

In a conventional profit-driven corporation return on investment (at an optimal rate) is typically a strong strategic driver for local planning and decisions, and by implication also a basic requirement of the enterprise as a whole. On the other hand, in a business or organization less focused on shareholder reward, such as a public services trust or charity, or a social enterprise or cooperative, return on investment (at a relatively lower rate), may be a requirement simply to sustain viable operations, according to the aims of the enterprise. In the first example, return on investment is the aim; in the second example, return on investment enables some other higher aim to be achieved. In more detail:

In a traditional profit-driven corporation, return on investment tends to be the main requirement of any business plan and also the main aim or purpose or driver of the plan. In most traditional corporations return on investment tends to be at the heart of all activities, since typically the corporation exists to maximize the yield (profit and growth effectively) of shareholder funds invested in the business. Planning in traditional corporations at times forgets this basic obligation, especially when a junior manager is asked to 'write a business plan' for the first time.

In traditional profit-driven corporations, when a new manager starts to write a business plan or operational plan for the first time (and for some experienced managers also, for the umpteenth time), the manager wonders: What is the aim? What am I trying to achieve? Often when they ask their own manager, the manager has the same doubts. The central aim is usually return on investment.

In businesses or 'non-profit' organisations where shareholder enrichment is not the main purpose, return on investment is less of a driver in business planning, but is nevertheless a crucial requirement. Such enterprises are becoming more popular, and will continue to become so, since the collapse of the western economies in 2008, and increasing disillusionment with old-style business thinking. Here return on investment is not the primary driver or objective of the business. Instead the main driver of enterprise may be some other purpose.

An example of 'some other purpose' might be the activities of a social enterprise or cooperative, or maybe an employee ownership company, or perhaps a trust or charity, whose main aim is (rather than the traditional profit generation for external/institutional shareholders) perhaps to benefit its members/staff, and/or to sustain local jobs, and/or to benefit the local community, or maybe to advance science or learning or health, etc. Here, while return on investment may seem less crucial or appropriate to planning and operations, the enterprise must nevertheless remain financially viable, or it ceases to be able to operate at all.

In such examples, return on investment in business planning is not usually maximized, but must still be treated as an underpinning requirement to planning, and flexed according to the fundamental aims and financial requirements of the enterprise.

Before planning, therefore, it is helpful to understand clearly:

What are we actually aiming to achieve?

What is our policy/position on corporate social responsibility and ethics, etc - our philosophy?

And what return on investment (or alternative financial performance) does our activity/enterprise require - is this a strategic driver in itself, or simply the means by which we maintain our activities in support of our (point 1) aims?

planning - cause and effect..

The basic methodology of business planning is identifying causes and effects, according to your relevant business requirements (financials and ethics) and strategic drivers (what we are actually aiming to achieve).

Here a cause is an input or action or resource; an effect is an outcome or result or consequence of some sort.

We want to achieve xyz effect (for example a given return on investment, or a certain sales level or market share, whatever) - so what should we plan to cause this to happen?

Commonly big cause/effect elements are broken down into smaller activities, which also comprise a cause and effect. (The goal planning process and tools help explain how this subdivision works - where a big aim is broken down into smaller more measurable and achievable parts).

Junior managers have responsibility for plans and activities which feed into larger departmental plans and activities of senior managers. The plans and activities of senior managers feed into the divisional plans of executives and directors. There is a hierarchy or tree structure of cause and effects, all hopefully contributing to the overall organizational aim.

In many good businesses a substantial business planning responsibility extends now to front line customer-facing staff, and the trend is increasing. In this context, the business plan could be called also be called a marketing plan, or a sales plan - all departmental plans are basically types of business planning:

"What you are going to sell to whom, when and how you are going to sell it, how much contribution (gross profit) the sales will produce, what the marketing and/or selling cost will be, and what will be the return on investment."

Where a department is a 'cost centre' not a 'profit-centre' - providing products or services internally to other departments rather than externally to customers - then the language and planning elements may alter, but the principles remain the same.

Also, these principles and methods apply to very large complex multinational organizations, which tend to entail more and different costs, fixed overheads, revenues, and consequently larger planning formats; more and bigger spreadsheets, more lines and columns on each, more attention and people working on the numbers, more accountants, and typically - especially at middle-management level and above - more emphasis on cashflow and the balance sheet, alongside basic 'profit and loss' planning.

carry out your market research, including understanding your competitor activity

'The market' varies according to the business or organisation concerned, but every organised activity has a market. Knowing the market enables you to assess and value and plan how to engage with it. A common failing of business planning or operational planning outside of the 'business' world, is to plan in isolation, looking inward, when ideas can seem very positive and reliable because there's no context and nothing to compare. Hence research is critical. And this applies to any type of organisation - not just to businesses. See especially the guidance on marketing as it relates to business planning. Planning very much concerns processes. The principles of marketing will explain additionally how to put meaning and values into what you plan.

Your market research should focus on the information you need, to help you to formulate strategy and make business decisions. Market research should be pragmatic and purposeful - a means to an end, and not a means in itself. Market information potentially covers a vast range of data, from global macro-trends and statistics, to very specific and detailed local or technical information, so it's important to decide what is actually relevant and necessary to know. Market information about market and industry trends, values, main corporations, market structure, etc, is important to know for large corporations operating on a national or international basis. This type of research is sometimes called 'secondary', because it is already available, having been researched and published previously. This sort of information is available from the internet, libraries, research companies, trade and national press and publications, professional associations and institutes. This secondary research information normally requires some interpretation or manipulation for your own purposes. However there's no point spending days researching global statistical economic and demographic data if you are developing a strategy for a relatively small or local business. Far more useful would be to carry out your own 'primary' research (i.e. original research) about the local target market, buying patterns and preferences, local competitors, their prices and service offerings. A lot of useful primary market research can be performed using customer feed-back, surveys, questionnaires and focus groups (obtaining indicators and views through discussion among a few representative people in a controlled discussion situation). This sort of primary research should be tailored exactly for your needs. Primary research requires less manipulation than secondary research, but all types of research need a certain amount of analysis. Be careful when extrapolating or projecting figures to avoid magnifying initial mistakes or wrong assumptions. If the starting point is inaccurate the resulting analysis will not be reliable. For businesses of any size; small, local, global and everything in between, the main elements you need to understand and quantify are:

customer (and potential customer) numbers, profile and mix

customer perceptions, needs, preferences, buying patterns, and trends, by sub-sector if necessary

products and services, mix, values and trends

demographic issues and trends (especially if dependent on consumer markets)

future regulatory and legal effects

prices and values, and customer perceptions in these areas

distribution and routes to market

competitor activities, strengths, weaknesses, products, services, prices, sales methods, etc

Primary research is recommended for local and niche services. Keep the subjects simple and the range narrow. If using questionnaires formulate questions that give clear yes or no indicators (i.e. avoid three and five options in multi-choices which produce lots of uncertain answers) always understand how you will analyse and measure the data produced. Try to convert data to numerical format and manipulate on a spreadsheet. Use focus groups for more detailed work. For large research projects consider using a market research organization because they'll probably do it better than you, even though this is likely to be more costly. If you use any sort of marketing agency ensure you issue a clear brief, and that your aims are clearly understood. Useful frameworks for research are PEST analysis and SWOT analysis.

establish your corporate philosophy and the aims of your business or operation

First establish or confirm the aims of the business, and if you are concerned with a part of a business, establish and validate the aims of your part of the business. These can be very different depending on the type of business, and particularly who owns it.

Refer to and consider issues of ethics and philosophy, corporate social responsibility, sustainability, etc - these are the foundations on which values and missions are built.

Look at the reasons ethics and corporate responsibility are so important. And see also the fundamental organisational planning stages.

Consider the Psychological Contract and the benefits of establishing a natural balance and fairness between all interests (notably staff, customers, the organization).

Traditional business models are not necessarily the best ones. The world is constantly changing, and establishing a new business is a good time to challenge preconceptions of fundamental business structure and purpose. A business based on a narrow aim of enriching a few investors while relegating the needs and involvement of everyone else may contain conflicts and tensions at a deep level. There are other innovative business structures which can inherently provide a more natural, cooperative and self-fuelling relationship - especially between employees and the organization, and potentially between customers and the organization too.

When you have established or confirmed your philosophical and ethical position, state the objectives of the business unit you are planning to develop - your short, medium and long term aims - (typically 'short, medium and long' equate to 1 year, 2-3 years and 3 years plus). In other words, what is the business aiming to do over the next one, three and five years?

Bear in mind that you must reliably ensure the success and viability of the business in the short term or the long term is merely an academic issue. Grand visions need solid foundations. All objectives and aims must be prioritised and as far as possible quantified. If you can't measure it, you can't manage it.

define your 'mission statement'

All businesses need a ‘mission statement'. It announces clearly and succinctly to your staff, shareholders and customers what you are in business to do. Your mission statement may build upon a general ‘service charter' relevant to your industry. You can involve staff in defining and refining the business's mission statement, which helps develop a sense of ownership and responsibility. Producing and announcing the mission statement is also an excellent process for focusing attention on the business's priorities, and particularly the emphasis on customer service. Whole businesses need a mission statement - departments and smaller business units within a bigger business need them too.

define your 'product offering(s)' or 'service offering(s)' - your sales proposition(s)

You must understand and define clearly what you are providing to your customers. This description should normally go beyond your products or services, and critically must include the way you do business, and what business benefits your customers derive from your products and services, and from doing business with you. Develop offerings or propositions for each main area of your business activity - sometimes referred to as 'revenue streams', or 'business streams' - and/or for the sector(s) that you serve. Under normal circumstances competitive advantage is increased the more you can offer things that your competitors cannot. Good research will tell you where the opportunities are to increase your competitive advantage in areas that are of prime interest to your target markets. Develop your service offering to emphasise your strengths, which should normally relate to your business objectives, in turn being influenced by corporate aims and market research. The important process in developing a proposition is translating your view of these services into an offer that means something to your customer. The definition of your service offer must make sense to your customer in terms that are advantageous and beneficial to the customer, not what is technically good, or scientifically sound to you. Think about what your service, and the manner by which you deliver it, means to your customer.

Traditionally, in sales and marketing, this perspective is referred to as translating features into benefits. The easiest way to translate a feature into a benefit is to add the prompt ‘which means that...'. For example, if a strong feature of a business is that it has 24-hour opening, this feature would translate into something like: "We're open 24 hours (the feature) which means that you can get what you need when you need it - day or night." (the benefit). Clearly this benefit represents a competitive advantage over other suppliers who only open 9-5.

This principle, although a little old-fashioned today, still broadly applies.

The important thing is to understand your services and proposition in terms that your customer will recognise as being relevant and beneficial to them.

Most businesses have a very poor understanding of what their customers value most in the relationship, so ensure you discover this in the research stage, and reflect it in your stated product or service proposition(s).

Customers invariably value these benefits higher than all others:

Making money

Saving money

Saving time

If your proposition(s) cannot be seen as leading to any of the above then customers will not be very interested in you.

A service-offer or proposition should be an encapsulation of what you do best, that you do better than your competitors (or that they don't do at all); something that fits with your business objectives, stated in terms that will make your customers think ‘Yes, that means something to me and I think it could be good for my business (and therefore good for me also as a buyer or sponsor).'

This is the first 'brick in the wall' in the process of business planning, sales planning, marketing planning, and thereafter, direct marketing, and particularly sales lead generation.

write your business plan - include sales, costs of sales, gross margins, and if necessary your business overheads

Business plans come in all shapes and sizes. Pragmatism is essential. Ensure your plan shows what your business needs it to show. Essentially your plan is a spreadsheet of numbers with supporting narrative, explaining how the numbers are to be achieved. A plan should show all the activities and resources in terms of revenues and costs, which together hopefully produce a profit at the end of the trading year. The level of detail and complexity depends on the size and part of the business that the plan concerns. Your business plan, which deals with all aspects of the resource and management of the business (or your part of the business), will include many decisions and factors fed in from the marketing process. It will state sales and profitability targets by activity. In a marketing plan there may also be references to image and reputation, and to public relations. All of these issues require thought and planning if they are to result in improvement, and particularly increasing numbers of customers and revenue growth. You would normally describe and provide financial justification for the means of achieving these things, together with customer satisfaction improvement. Above all a plan needs to be based on actions - cost-effective and profitable cause and effect; inputs required to achieved required outputs, analysed, identified and quantified separately wherever necessary to be able to manage and measure the relevant activities and resources.

quantify the business you seek from each of your market sectors, segments, products and customer groupings, and allocate investment, resources and activities accordingly

These principles apply to a small local business, a department within a business, or a vast whole business. Before attending to the detail of how to achieve your marketing aims you need to quantify clearly what they are. What growth targets does the business have? What customer losses are you projecting? How many new customers do you need, by size and type, by product and service? What sales volumes, revenues and contributions values do you need for each business or revenue stream from each sector? What is your product mix, in terms of customer type, size, sector, volumes, values, contribution, and distribution channel or route to market? What are your projected selling costs and net contributions per service, product, sector? What trends and percentage increase in revenues and contributions, and volumes compared to last year are you projecting? How is your market share per business stream and sector changing, and how does this compare with your overall business aims? What are your fast-growth high-margin opportunities, and what are your mature and low-margin services; how are you treating these different opportunities, and anything else in between? You should use a basic spreadsheet tool to split your business according to the main activities and profit levers. See the simple sales/business planning tool example below.

ansoff product-market growth matrix - strategic tool

A useful planning tool in respect of markets and products is the matrix developed by Igor Ansoff (H Igor Ansoff, 1918-2002), who is regarded by some as the 'Father of Strategic Management'.

Fully titled the Ansoff Product-Market Growth Matrix, the tool was first published in Harvard Business Review, 1957, in Ansoff's paper Strategies for Diversification.

The Ansoff product-market matrix helps to understand and assess marketing or business development strategy. Any business, or part of a business can choose which strategy to employ, or which mix of strategic options to use.

This is a fundamentally simple and effective way of looking at strategic development options.

This is a fundamentally simple and effective way of looking at strategic development options.

	existing products	**new products**
existing markets	**market penetration**	**product development**
new markets	**market development**	**diversification**

Each of these strategic options holds different opportunities and downsides for different organizations, so what is right for one business won't necessarily be right for another. Think about what option offers the best potential for your own business and market. Think about the strengths of your business and what type of growth strategy your strengths will enable most naturally. Generally beware of diversification - this is, by its nature, unknown territory, and carries the highest risk of failure.

Here are the Ansoff strategies in summary:

market penetration - Developing your sales of existing products to your existing market(s). This is fine if there is plenty of market share to be had at the expense of your competitors, or if the market is growing fast and large enough for the growth you need. If you already have large market share you need to consider whether investing for further growth in this area would produce diminishing returns from your development activity. It could be that you will increase the profit from this activity more by reducing costs than by actively seeking more market share. Strong market share suggests there are likely to be better returns from extending the range of products/services that you can offer to the market, as in the next option.

product development - Developing or finding new products to take to your existing market(s). This is an attractive strategy if you have strong market share in a particular market. Such a strategy can be a suitable reason for acquiring another company or product/service capability provided it is relevant to your market and your distribution route. Developing new products does not mean that you have to do this yourself (which is normally very expensive and frequently results in simply re-inventing someone else's wheel) - often there are potential manufacturing partners out there who are looking for their own distribution partner with the sort of market presence that you already have. However if you already have good market share across a wide range of products for your market, this option may be one that produces diminishing returns on your growth investment and activities, and instead you may do better to seek to develop new markets, as in the next strategic option.

market development - Developing new markets for your existing products. New markets can also mean new sub-sectors within your market - it helps to stay reasonably close to the markets you know and which know you. Moving into completely different markets, even if the product/service fit looks good, holds risks because this will be unknown territory for you, and almost certainly will involve working through new distribution channels, routes or partners. If you have good market share and good product/service range then moving into associated markets or segments is likely to be an attractive strategy.

diversification - taking new products into new markets. This is high risk - not only do you not know the products, but neither do you know the new market(s), and again this strategic option is likely to entail working through new distribution channels and routes to market. This sort of activity should generally be regarded as additional and supplementary to the core business activity, and should be rolled out carefully through rigorous testing and piloting.

Consider also your existing products and services themselves in terms of their market development opportunity and profit potential. Some will offer very high margins because they are relatively new, or specialised in some way, perhaps because of special USP's or distribution arrangements. Other products and services may be more mature, with little or no competitive advantage, in which case they will produce lower margins. The Boston Matrix is a useful way to understand and assess your different existing product and service opportunities:

boston matrix model - product/service development

The Boston Matrix model is a tool for assessing existing and development products in terms of their market potential, and thereby implying strategic action for products and services in each category.

	low market share	**high market share**
growing market	**problem child**	**(rising) star**
mature market	**dog**	**cash cow**

Cash cow - The rather crude metaphor is based on the idea of 'milking' the returns from previous investments which established good distribution and market share for the product. Products in this quadrant need maintenance and protection activity, together with good cost management, not growth effort, because there is little or no additional growth available.

dog - This is any product or service of yours which has low market presence in a mature or stagnant market. There is no point in developing products or services in this quadrant. Many organizations discontinue products/services that they consider fall into this category, in which case consider potential impact on overhead cost recovery. Businesses that have been starved or denied development find themselves with a high or entire proportion of their products or services in this quadrant, which is obviously not very funny at all, except to the competitors.

problem child - These are products which have a big and growing market potential, but existing low market share, normally because they are new products, or the application has not been spotted and acted upon yet. New business development and project management principles are required here to ensure that these products' potential can be realised and disasters avoided. This is likely to be an area of business that is quite competitive, where the pioneers take the risks in the hope of securing good early distribution arrangements, image, reputation and market share. Gross profit margins are likely to be high, but overheads, in the form of costs of research, development, advertising, market education, and low economies of scale, are normally high, and can cause initial business development in this area to be loss-making until the product moves into the rising star category, which is by no means assured - many problem children products remain as such.

rising star - Or 'star' products, are those which have good market share in a strong and growing market. As a product moves into this category it is commonly known as a 'rising star'. When a market is strong and still growing, competition is not yet fully established. Demand is strong; saturation or over-supply do not exists, and so pricing is relatively unhindered. This all means that these products produce very good returns and profitability. The market is receptive and educated, which optimises selling efficiencies and margins. Production and manufacturing overheads are established and costs minimised due to high volumes and good economies of scale. These are great products and worthy of continuing investment provided good growth potential continues to exist. When it does not these products are likely to move down to cash cow status, and the company needs to have the next rising stars developing from its problem children.

After considering your business in terms of the Ansoff matrix and Boston matrix (which are thinking aids as much as anything else, not a magic solution in themselves), on a more detailed level, and for many businesses just as significant as the Ansoff-type-options, what is the significance of your major accounts - do they offer better opportunity for growth and development than your ordinary business? Do you have a high quality, specialised offering that delivers better business benefit on a large scale as opposed to small scale? Are your selling costs and investment similar for large and small contracts? If so you might do better concentrating on developing large major accounts business, rather than taking a sophisticated product or service solution to smaller companies which do not appreciate or require it, and cost you just as much to sell to as a large organization.

customer matrix

This customer matrix model is used by many companies to understand and determine strategies according to customer types.

	good products	not so good products
good customers	develop and find more customers like these - allocate your best resources to these existing customers and to prospective customers matching this profile	educate and convert these customers to good products if beneficial to them, failing which, maintain customers via account management
not so good customers	invest cautiously to develop and improve relationship, failing which, maintain customers via account management	assess feasibility of moving these customers left or up, failing which, withdraw from supplying sensitively

good customersdevelop and find more customers like these - allocate your best resources to these existing customers and to prospective customers matching this profile educate and convert these customers to good products if beneficial to them, failing which, maintain customers via account management

not so good customers invest cautiously to develop and improve relationship, failing which, maintain customers via account management assess feasibility of moving these customers left or up, failing which, withdraw from supplying sensitively

Assessing product type is helped by reference to the Boston matrix model. There is a lot of flexibility as to what constitutes 'good' and 'not so good customers' - use your own criteria. A good way to do this is to devise your own grading system using criteria that mean something to your own situation. Typical criteria are: size, location, relationship, credit-rating and payment terms, is the customer growing (or not), the security of the supply contract, the service and support overhead required, etc. This kind of customer profiling tool and exercise is often overlooked, but it is a critical aspect of marketing and sales development, and of optimising sales effectiveness and business development performance and profitability. Each quadrant requires a different sales approach. The type of customer also implies the type of sales person who should be responsible for managing the relationship. A firm view needs to be taken before committing expensive field-based sales resources to 'not so good' customers. Focus prospect development (identifying and contacting new prospective customers) on the profile which appears in the top left quadrant. Identify prospective new customers who fit this profile, and allocate your business development resources (people and advertising) to this audience.

Consider also What are your competitor weaknesses in terms of sectors, geographical territory and products or services, and how might these factors affect your options? Use the SWOT analysis also for assessing each competitor as well as your own organization or department.

Many organizations issue a marketing budget from the top down (a budget issued by the Centre/HQ/Finance Director), so to speak, in which case, what is your marketing budget and how can you use it to produce the best return on investment, and to help the company best to meet its overall business aims? Use the models described here to assess your best likely returns on marketing investment.

The best way to begin to model and plan your marketing is to have a record of your historical (say last year's) sales results (including selling and advertising costs if appropriate and available) on a spreadsheet. The level of detail is up to you; modern spreadsheets can organize massive amounts of data and make very complex analysis quick easy. Data is vital and will enable you to do most of the analysis you need for marketing planning. In simple terms you can use last year's results as a basis for planning and modelling the next year's sales, and the marketing expenditure and activities required to achieve them.

simple business plan or sales plan tools examples

These templates examples help the planning process. Split and analyse your business or sales according to your main products/services (or revenue streams) according to the profit drivers or 'levers' (variables that you can change which affect profit), eg., quantity or volume, average sales value or price, % gross margin or profit. Add different columns which reflect your own business profit drivers or levers, and to provide the most relevant measures.

to provide the most relevant measures.

	quantity	**total sales value**	**average value**	**% gross margin**	**total sales or gross margin**
product 1					
product 2					
product 3					
product 4					
totals					

Do the same for each important aspect of your business, for example, split by market sector (or segment):

	quantity	total sales value	average value	% gross margin	total sales or gross margin
sector 1					
sector 2					
sector 3					
sector 4					
totals					

And, for example, split by distributor (or route to market):

	quantity	total sales value	average value	% gross margin	total sales or gross margin
distributor 1					
distributor 2					
distributor 3					
distributor 4					
totals					

These simple split analysis tools are an extremely effective way to plan your sales and business. Construct a working spreadsheet so that the bottom-right cell shows the total sales or gross margin, or profit, whatever you need to measure, and by changing the figures within the split (altering the mix, average prices, quantities, etc) you can carry out 'what if?' analysis to develop the best plans.

If you are a competent working with spreadsheets it is normally possible to assemble all of this data onto a single spreadsheet and then show different analyses by sorting and graphing according to different fields.

When you are happy with the overall totals for the year, convert this into a phased monthly plan, with as many lines and columns as you need and are appropriate for the business. Develop this spreadsheet by showing inputs as well as sales outputs - the quantifiable activity (for example, the numbers of enquiries necessary to produce the planned sales levels) required to produce the planned performance. Large businesses need extensive and multiple page spreadsheets. A business plan needs costs as well as sales, and will show profit as well as revenue and gross margin, but the principle is the same: plan the detailed numbers and values of what the business performance will be, and what inputs are required to achieve it.

Here's a free MSExcel profit and loss account template tool for incorporating these factors and financials into a more formal phased business trading plan, which also serves as a business forecasting and reporting tool too. Adapt it to suit your purposes. This plan example is also available as a PDF, see the Profit and Loss Account (P&L) Small Enterprise Business Plan Example (PDF). The numbers could be anything: ten times less, ten times more, a hundred times more - the principle is the same.

Consider also indirect activities that affect sales and business levels, such as customer service. Identify key performance indicators here too, such as customer complaints response and resolution levels and timescales. Internal lead referral schemes, strategic partnership activity; the performance of other direct sales activities such as sales agencies, distributorships, export activities, licensing, etc. These performance factors won't normally appear on a business plan spreadsheet, but a separate plan should be made for them, otherwise they won't happen.

write your marketing plan or business plan

Your marketing plan is actually a statement, supported by relevant financial data, of how you are going to develop your business. Plans should be based on actions, not masses of historical data. The historical and market information should be sufficient just to explain and justify the opportunities, direction, strategy, and most importantly, the marketing actions, methods and measures - not to tell the story of the past 20 years of your particular industry.

"What you are going to sell to whom, when and how you are going to sell it, how much contribution (gross profit) the sales produce, what the marketing cost will be, and what will be the return on investment."

As stated above it is easiest and best to assemble all of this data onto a spreadsheet, which then allows data to be manipulated through the planning process, and then changed and re-projected when the trading year is under way. The spreadsheet then becomes the basis of your sales and marketing forecasting and results reporting tool.

As well as sales and marketing data, in most types of businesses it is also useful to include measurable aims concerning customer service and satisfaction.

The marketing plan will have costs that relate to a marketing budget in the overall business plan. The marketing plan will also have revenue and gross margin/profitability targets that relate to the turnover and profitability in the overall business plan. This data is essentially numerical, and so needs also some supporting narrative as to how the numbers will be achieved - the actions - but keep the narrative concise; if it extends to more than a half-dozen sheets make sure you put a succinct executive summary on the front.

The marketing plan narrative could if appropriate also refer to indirect activities such as product development, customer service, quality assurance, training etc., if significantly relevant to achieving the marketing plan aims.

Be pragmatic - marketing plans vary enormously depending on the type, size and maturity of business. Above all create a plan that logically shows how the business can best consolidate and grow its successful profitable areas. The marketing plan should be a working and truly useful tool - if it is, then it's probably a good one.

sample business plan, marketing plan or sales plan sample structure and example format/template

Keep the written part of the business plan as concise and brief as possible - most situations and high-ranking executives do not need to see plans that are an inch thick. If you can make your case on a half dozen pages then do so. Particularly if your plan is more than 5-6 pages long, produce an executive summary (easiest to do when you have completed the plan) and insert it at the beginning of the document. If you need to include lots of reference material, examples, charts, evidence, etc, show these as appendices at the back of the document and make sure they are numbered and referenced during the main body of the plan. Each new section should start at the top of a new page. Number the pages. Important plans should be suitably bound. All business plans should be professionally and neatly presented, with no grammar and spelling errors, clearly laid out in an easy to read format (avoid lots of upper-case or fancy fonts or italics as these are all difficult to read). Your business plan contents and structure should be as follows:

business plans structure

Title page: Title or heading of the plan and brief description if required, author, date, company/organization if applicable, details of circulation and confidentiality.

Contents page: A list of contents (basically the sections listed here, starting with the Introduction page) showing page numbers, plus a list of appendices or addendums (added reference material at the back of the document) allowing the reader to find what they need and navigate the document easily, and to refer others to particular items and page numbers when reviewing or querying.

Introduction page: Introduction and purpose of the plan, terms of reference if applicable (usually for formal and large plans or projects).

Executive summary page: Optional and usually beneficial, this should normally be no more than a page long (or it's not an executive summary) - the key points of the whole plan including conclusions, recommendations, actions, financial returns on investment, etc., clearly readable in a few minutes.

Main body of plan: sections and headings as required, see template below.

Acknowledgments and bibliography/reference sources: if relevant (only required normally for very large formal plans)

Appendices: appendices or addendums - additional detailed reference material, examples, statistics, spreadsheets, etc., for reference and not central to the main presentation of your plan.

business plans - main body sections examples template

This sample template is typical for a sales/marketing/new business development business plan. (A business plan for a more complex project such as an international joint-venture, or the formation of a new company including manufacturing plant or other overhead activities would need to include relevant information and financials about the overheads and resources concerned, and the financials would need to show costs and profits more like a fully developed profit and loss account, with cashflow projections, balance sheet, etc.) Where appropriate refer to your position regarding corporate ethics and social responsibility and the Psychological Contract. While these aspects are not mechanisms within the plan, they are crucial reference points.

Define your market - sector(s) and segment(s) definitions

Quantify your market (overview only) - size, segmentation, relevant statistics, values, numbers (locations, people/users, etc) - make this relevant to you business

Explain your market(s) - sector trends, eg., growth, legislation, seasonality, PEST factors where relevant, refer to Ansoff matrix, show the strategic business drivers within sector and segments, purchasing mechanisms, processes, restrictions - what are the factors that determine customers' priorities and needs - this is a logical place to refer to ethics and CSR (corporate social responsibility

Explain your existing business - your current business according to sector, products/services, quantities, values, distributor, etc.

Analyse your existing customer spread by customer type, values and products/services including major accounts (the 'Pareto Principle' or the '80:20 rule' often applies here, eg., 80% of your business comes from 20% of your customers)

Explain your products and services - refer to Boston matrix and especially your strategic propositions (what these propositions will do for your customers) including your USP's and UPB's (see sales training section and acronyms)

Explain you routes to market, gatekeepers, influencers and strategic partners - the other organizations/individuals you will work with to develop your market, including 'what's in it for them', commissions, endorsements, accreditations, approvals, licenses, etc.

Case studies and track record - the credibility, evidence and proof that your propositions and strategic partnerships work

Competitor analysis, eg., SWOT analysis of your own business compared to SWOT analysis of each competitor

Sales/marketing/business plan (1 year min) showing sales and margins by product/service stream, mix, values, segment, 'distributor', etc, whatever is relevant, phased monthly, in as much detail as you need. This should be on a spreadsheet, with as many different sheets as necessary to quantify relevant inputs and outputs.

List your strategic actions (marketing campaigns, sales activities, advertising, etc) that will deliver the above, with costs and returns. This should be supported with a spreadsheet, showing cost and return on investment for each activity.

Tip: If the business plan concerns an existing activity, use the previous year's sales/business analysis as the basis for the next year's sales/business plan. Adapt as necessary according to your new strategic plans.

other business planning and marketing issues staffing and training implications

Your people are unlikely to have all the skills they need to help you implement a marketing plan. You may not have all the people that you need so you have to consider justifying and obtaining extra. Customer service is acutely sensitive to staffing and training. Are all of your people aware of the aims of the business, its mission statement and your sales propositions? Do they know what their responsibilities are? How will you measure their performance? Many of these issues feed back into the business plan under human resources and training, where budgets need to be available to support the investment in these areas.

customer service charter

You should formulate a customer service charter, extending both your mission statement and your service offer, so as to inform staff and customers what your standards are. These standards can cover quite detailed aspects of your service, such as how many times the telephone will be permitted to ring until the caller is gets an answer. Other issues might include:

How many days between receipt and response for written correspondence.

Complaints procedure and timescales for each stage.

This charter sets customer expectations, so be sure you can meet them. Customers get disappointed particularly when their expectations are not met, and when so many standards can be set at arbitrary levels, think of each one as a promise that you should keep. Business-to-business customers would expect to agree these standards with their suppliers and have them recorded as part of their contracts, or as SLA's (service level agreements). Increasingly, large customers demand SLA's to be tailored to their own specific needs, and the process of developing these understandings and agreements is absolutely crucial to the maintenance and development of large contracts.

Remember an important rule about customer service: It's not so much the failure to meet standards that causes major dissatisfaction among customers - everyone can make a mistake - the biggest cause of upset is the failure of suppliers to inform customers and keep them updated when problems arise. Not being told in advance, not receiving any apology, not getting any explanation why, and not hearing what's going to be done to put things right, are key areas of customer dissatisfaction, and therefore easy areas for suppliers to focus their efforts to achieve and communicate improvements.

A special point of note for businesses that require a strong technical profile among their service staff: these people are often reactive by nature and so not good at taking initiative to identify and anticipate problem areas in customer service. It's therefore helpful to establish suitable mechanisms and responsibility to pick up problems and deal with them - a kind of trouble-shooting capability - which can be separately managed and monitored at a strategic level. Do not assume that technically-oriented staff will be capable of proactively developing customer service solutions and revisions to SLA's - they generally need help in doing so from staff with high creativity, empathy, communications and initiative capabilities.

establish systems to measure customer service and staff performance

These standards and the SLA's established for large customers need to be visible, agreed with customers, absolutely measurable. You must keep measuring your performance against them, and preferably publishing the results, internally and externally. Customer complaints handling is a key element:

Measuring customer complaints is crucial because individual complaints are crucial areas to resolve, and also as a whole, complaints serve as a barometer for the quality and performance of the business. You need to have a scheme which encourages, not discourages, customers to complain, to open the channels as wide as possible. Most businesses are too defensive where complaints are concerned, preferring to minimise their importance, or to seek to justify and excuse them. Wrong. Complaints are the opportunities to turn ordinary service into unbeatable service.

Moreover, time and again surveys suggest that anything up to nine out of ten people do not complain to the provider when they feel dissatisfied - they just keep their dissatisfaction to themselves and the provider never finds out there's a problem, even when the customer chooses to go elsewhere. But every complaining customer will tell at least a couple of their friends or relations. Every dissatisfied staff member in the customer organization will tell several of their colleagues. Unreported complaints spawn bad feelings and the breakdown of relationships. It is imperative that you capture all complaints in order to:

Put at ease and give explanation or reassurance to the person complaining.

Reduce the chances of them complaining to someone else.

Monitor exactly how many dissatisfied customers you have and what the causes are, and that's even more important if you're failing to deliver your mission statement or service offer!

Take appropriate corrective action to prevent a re-occurrence.

If appropriate (ie for large customers) review SLA's and take the opportunity to agree new SLA's with the customer.

implications for IT, premises, and reporting systems

Also relating to your business plan are the issues of:

Information Technology - are your computers and communications systems capable of giving you the information and analysis you need? How do you use email - is it helping or hindering your business and the quality of service you give to your customers? What internet presence and processes do you need? How should your voice and data systems work together? What systems need to be available to mobile staff? What customer relationship management (CRM) systems should you have? How should you consider all these issues to see the needs and opportunities? IT and communications systems increasingly offer marketing and competitive advantage to businesses in all sectors - make sure you know hat IT can do for you and for your customers.

Premises - Review your premises and sites in light of your customer service, distribution, and customer relationship requirements. Pay particular attention anywhere in your organization that your customers visit - the impression and service you give here is critical.

Reporting systems - If you can't measure it you can't manage it, and where finance and business performance is concerned this is certainly true. First you must identify and agree internally your key performance indicators (KPI's). Identify every aspect of your service or performance that is important - then you need to be able to measure it and report on it, and where people are involved in performing to certain standards then the standards and the reporting needs to be transparent to them also.

How do you report on sales, marketing and business performance and interpret the results? Who needs to know? Who needs to capture the data?

communications and ongoing customer feedback are essential

Having an open dialogue with your customers is vital. There's a double benefit to your business in ensuring this happens:

You nip problems in the bud and stay aware of how you're performing.

Your customers feel better about the service you provide as a result of the communications, or from the fact that the channel is open even if they don't use it - it's human nature.

Try to devise a standard feedback form. It can double as a promotional tool as well if it's made available on a wider scale. The form can carry details of your mission statement, service offer and your customer service charter.

Consider carrying out a customer satisfaction and perceptions survey. There are many ways to do this on a small or large scale, and valuable feedback is always obtained from customer survey exercises.

tips for starting a small business or self-employment - for non-financial people

Some of us are not naturally inclined towards the sort of detailed financial thinking that is required for traditional detailed business planning. If this is you, you'll possess other valuable capabilities that will be useful in your own enterprise, and you'll maybe find it helpful to use this alternative approach to planning a new enterprise or self-employment. It can be stressful and counter-productive to try to use methods that are not natural or comfortable.

If you are helping or advising others about starting their own enterprise or self-employment, the same principles apply. Not everyone is naturally good at business planning, but everyone who dreams of being self-employed or who wants to start and run their own independent enterprise is capable of doing so, provided they work to their strengths, capabilities and passions.

People running successful enterprises come in all shapes and sizes, from all backgrounds, all ages, with skills, passions, and capabilities in any field you can imagine. Anyone can run their own business or be successful in self-employment given the simple determination to do so. Business and enterprise is not just for stereotypical 'business-types'; the benefits and advantages of being your own boss are available to us all.

Here are some pointers for people considering starting their own new enterprise, or for helping others to do the same.

First, and especially if you are not clear of your own real strengths, or what direction to pursue, focus on using tools to understanding your own personality style and strengths. Then use this knowledge to imagine and realise how your natural capabilities can be used to best effect in defining and providing your own services or running your own enterprise.

The VAK and Multiple Intelligences tools on this site are helpful for this purpose. They assess people's strengths completely differently to traditional IQ or academic evaluations, which are extremely narrow and generally not relevant at all for people who want to be their own boss.

Understanding personality is also useful since personality-type greatly influences the way that a person approaches self-employment or running an enterprise, and what sort of service or business to offer. The Personality Styles page provides a lot of explanation about this.

Many people are conditioned by schools and over-cautious parents to under-estimate their own potential and capabilities, which is a big reason to take a fresh look at what you are good at, and to re-think and understand better the ways that your personality type tends to be successful in life and business.

There are many ways to be successful and independent in life aside from building and running a conventional business and adhering to conventional financial planning methods.

The basic economics of becoming successfully independent in any sort of venture are actually extremely simple, and focusing on the following simple fundamentals (a process really) can help many folk turn your dream or an idea into a successful enterprise or self-employment reality. It's usually easiest to think first of these factors in terms of daily, weekly or monthly numbers and values, and then to extend the figures to give totals for a whole year:

1. What's your product or service? (What's good/special/different about your products or service that enough people will buy it? And importantly is this something that you have a real passion for? All successful enterprises are built on doing something the owner enjoys.)

2. What does it cost to make/buy in/provide the product or service? (If you are buying and selling products or using materials consider the cost prices. If the main resource is your own time then attach a cost to your labour that reflects your available time for the work and the wage you need to draw. Divide your required annual wage by the number of work hours available to you, and this is your notional hourly labour cost.)

3. What price will the product/service sell for? (Ideally small businesses need a healthy profit margin or mark-up - doubling the cost is good if the market will accept it. A mark-up of less than 50% is cause for concern unless you are selling products in relatively high volumes or values. Price your products/services according to what the market will pay, not according to your costs. Take into account your competitors and what they charge and their relative quality. Service businesses that use only the person's time are often very attractive and profitable because there is no added complication of buying and holding stock - hence why window-cleaning, sign-writing, repairs, gardening, decorating, tutoring, writing, therapy, training, coaching and consultancy, etc., are such good businesses for people who prefer a simple approach to self-employment and enterprise. Consider the effect of VAT especially for 'consumer' businesses - ie., selling to the general public - assuming your business is or must be VAT registered. Private consumers of course are more sensitive to VAT than business customers who can generally reclaim VAT should you have to add it to your prices.)

4. Who will buy the product/service? (Identify your customers and market. Do you know this for sure? Test your assumptions: this is a critical part of the proposition and generally benefits from more thought and research to confirm that a big enough market exists for your idea. Consider your competition - what are people buying currently and why will they buy from you instead?)

5. How much/many do you need to sell in a year? And how many customers do you need? (This is a vital part of the proposition to confirm that the gross profit (the difference between costs of bought in products/labour and sales revenues) covers your/their financial needs (including a living wage and other fixed costs of running the enterprise. Again remember the affect of VAT on your selling prices if applicable.)

6. How will people know about the service/product? (You need to understand what advertising/marketing/enquiry-generation is necessary - activity and cost. There is usually a cost for generating new customers, especially in the early stages of a new enterprise. Once the business is established, say after six months to a year, 'word-of-mouth' referrals are for some businesses all that is required to produce new customers - especially those based in a local community, but virtually any new enterprise requires marketing at its launch. See the articles on marketing and selling.)

7. Does all this add up, and better still provide a cash surplus at the end of a year? - if so then it's probably a good business model.

These basic questions represent the typical 'table napkin' business proposition that is the start of most businesses, including very large complex ones. People who dislike and are not fluent in detailed business calculations might find the above process a useful starting point when thinking about how to begin a new enterprise or a venture in self-employment.

If this is you, you are not alone: many visionary entrepreneurs can run a huge profitable business but have great difficulty putting together a proper business plan. Hence many highly successful business leaders rely heavily on their financial directors to take care of the financial details, leaving them free to get on with the business activity that makes best use of their natural skill, be it creativity, selling, service-provision, people-skills, technical skills, or whatever.

Incidentally the above factors are the essential components which make up a basic Profit and Loss Account, which is the primary management tool for a business of any scale and complexity. Here's a free MSExcel profit and loss account template tool for extending these factors and financials into a more formal phased plan, which also serves as a business forecasting and reporting tool too. If in doubt about this seek some help from an experienced business person or your accountant. Adapt it to suit your purposes. The example P&L trading plan is also available as a pdf. The numbers could be anything - ten times less, ten times more, a hundred times more - the principle is the same.

company types and financial set up - quick guide

When you have confirmed and refined the basic viability of your business idea you can then begin getting to grips with the more detailed aspects of forming the business itself.

This necessarily includes deciding your type of business constitution - the legal format of your company - or 'company type' as it is often described.

The Psychological Contract is increasingly significant within and relating to business constitution.

Small (UK) businesses are most commonly one of the following:

sole-trader - essentially a self-employed owner - no limited personal liability - relatively easy set up and administration.

partnership - essentially a group of self-employed partners/owners - no limited personal liability - easy-ish set up and administration, although ultimately dependent on the complexity of the company and partnership.

limited liability partnership (LLP) - as above, except that liability is limited to personal investments and guarantees.

limited company (abbreviated to Ltd after the company name) - liability is limited to the assets of the company - registered with Companies House and legally obliged to publish accounts.

There are less common variations of limited companies, and other business structures and constitutions, for example:

social enterprise - various structures including , trusts, associations and especially cooperatives - these are not common typical or traditional business structures, but social enterprises are growing in popularity, and will be explained in more detail on this website in due course. Meanwhile here is useful information about cooperatives.

public limited company (plc) - not appropriate for small companies.

Sole-trader and partnership companies are very easy to set up and administer, but the owner/partners are personally liable for all business debts and potential claims, so good insurance cover (including professional indemnity and public liability) is essential especially if business liabilities are potentially serious.

A limited liability partnership offers protection to partners in terms of personal liabilities, in that liabilities are limited to the extent of personal investment and any other guarantees. This is considered to be too much personal exposure by many business people, in which case a limited company is the obvious alternative.

A limited company exists in its own right - a tricky concept to understand for many people - basically meaning that financial liabilities belong to the company (its shareholders, to the value of their shares in other words) rather than the directors and executives of the business, as would apply in a partnership. Limited companies ultimately offer more flexibility for large complex businesses but can be over-complicated and administratively heavy if all you want to do is run a local shop or landscape gardening business or modest training or coaching business.

Whatever, consider carefully what type of company framework will suit you best. Once established it can be quite difficult to unravel and change if you get it wrong - not impossible, but a nuisance if you could have got it right first time with a bit of extra thought at the planning stage.

A good accountant will help you decide what is best for your situation from a legal and financial standpoint, although before this you should think for yourself what sort of business structure best fits your wider business situation, and especially your business aims and philosophy. Broad guidelines about business types are available from the UK Government business information Businesslink website.

You'll need a business bank account. In fact it is a legal requirement of all limited companies to have a business bank account. Shop around. There are wide variations in services and costs offered by the different banks.

You must also understand and organize the tax implications for your type of business.

Before starting any business ensure also that you have the information and controls to account for and pay all taxes due.

Helpfully to learn more about this in the UK, most tax affairs are within the responsibilities of HM Revenue and Customs - until they too change their name to something very silly. That said, the relevance today of HM (Her Majesty's) is a bit puzzling when you stop to think about it and surely due for updating to the modern age. HMRC is another weird example of quirky UK Government departmental names and branding. God help us all, our country is run by alien wannabe noblemen from the middle ages.

VAT (Value Added Tax or your national equivalent) is an issue warranting serious thought if your business is small enough to have a choice in the matter. Beyond a certain turnover (£68,000 as at 2010) any UK business must register for VAT. Check the HMRC website for the current position.

Being VAT registered means you must charge VAT on all VAT-rated supplies, which means also that the VAT you receive on payments from your customers must be paid to HM Revenue and Customs. (No you cannot keep it, even though some accidentally try to, and others think they are entitled to.)

Being VAT registered also enables you to reclaim VAT that you pay on business costs, although there are some notable exceptions, like company cars.

Retail and consumer businesses are especially affected by VAT. Private consumers cannot claim back VAT, so the effect of VAT on pricing and margins needs careful thought in planning any consumer business.

Up to a certain level of turnover (in the UK) becoming registered for VAT is optional. If your business turnover is likely to be below the threshold for mandatory VAT registration, you must decide for yourself if the advantages outweigh the disadvantages. The main advantages of VAT registration are:

your business will be perceived by certain people - especially other businesses - to be larger and more credible (not being registered for VAT indicates immediately that your turnover is below the VAT threshold)

you will be able to reclaim VAT that you are charged on legitimate allowable business costs

The main disadvantages of being VAT registered are:

the administrative burden in keeping VAT records and submitting VAT returns (although this has been enormously simplified in recent years so that for small simple businesses it is really not a problem at all)

risks of getting onto cashflow difficulties if you fail to set funds aside to pay your VAT bills (see the tax tips below)

Information about VAT (and all other tax issues) is at the UK Government HM Revenue and Customs website: http://www.hmrc.gov.uk

VAT is not the only tax. Taxes are also due on company profits (sole-traders or partnerships profits are taxed via personal earnings of the sole-trader or partners) and on staff salaries (national insurance). A sole-trader or partnership can employ staff, in which case national insurance tax is due on salaries paid to employees, which is different to the tax that employees pay themselves.

Failing to retain funds in a company to pay taxes is a serious problem that's easily avoided with good early planning. Contact your tax office. Inform them of your plans and seek their help. Tax offices are generally extremely helpful, so ask. You can even talk to a real person on the phone without having to breach a six-level automated menu system.

Ideally find a decent accountant too. Preferably one who comes recommended to you. With all the greatest respect to accountants everywhere, accountants are quite commonly very intense people, like solicitors and scientists, very much focused on process, accuracy, rules, etc., which in terms of personality fit can be a little at odds with the style of many entrepreneurs. So again shop around and find an accountant with whom you can share a joke and a beer or something from the human world. The relationship between a business person and his/her accountant is crucial if the business is to grow and develop significantly. Accountants might seem at times to be from another planet, but I can assure you the good ones are bloody magicians when it comes to business development, especially when the figures get really interesting. The statement that one stroke of an accountant's pen is mightier than the world's most successful sales team, is actually true.

For many entrepreneurs, the ideal scenario is to grow your business large enough to support the cost of a really excellent finance director, who can take care of all the detailed legal and financial matters for you, and leave you completely free to concentrate on growing the business - concentrating your efforts and ideas and strategy externally towards markets and customers, and internally towards optimizing innovation and your staff.

See the quick tax tips below, especially for small businesses which might not easily be able to achieve immediate and accurate control of their tax liabilities, which is one of the major early risks for a new successful small business.

tax tips - understanding and accounting for taxes from the start

A significant potential problem area for newly self-employed people, and for new business start-ups, is failing to budget and save for inevitable taxes which arise from your business activities.

N.B. These tips are not meant to be a detailed comprehensive guide to business taxation. This section merely addresses a particular vulnerability of new start-up businesses in failing to set aside sufficient reserves to meet tax liabilities, especially small businesses, and even more especially sole-traders and partnerships and small limited companies, which lack expertise in accounting and consequently might benefit from these simple warnings and tips related to tax liabilities.

In general these issues would normally be managed via a cashflow forecast, together with suitable financial processes to allocate and make payments for all costs and liabilities arising in the course of trading. I recognise however that many small business start-ups do not begin with such attention to financial processes, and it's primarily for those situations that these particular notes are provided.

These notes in no way suggest that this is the normal fully controlled approach to planning and organizing tax liabilities and other cashflow issues within any business of significant scale. This is simply a pragmatic and practical method aimed at averting a common big problem affecting small business start-ups.

While your type of company and business determines precisely which taxes apply to you, broadly taxes are due on sales (for VAT registered businesses in the UK, or your VAT equivalent if outside the UK), and on the profits of your business and your earnings. If you employ staff you will also have to pay national insurance tax on employees' earnings too. Generally sole-traders and partnerships have simpler tax arrangements - for example, profits are typically taxed as personal earnings - as compared with the more complex taxes applicable to limited companies, which also pay taxes on company profits and staff salaries.

Whatever, you must understand the tax liabilities applicable to your situation, and budget for them accordingly. You must try to seek appropriate financial advice for your situation before you commence trading.

Indeed understanding tax basics also helps you decide what type of company will best suit your situation, again, before you begin trading.

The potential for nasty financial surprises - notably tax bills that you have insufficient funds to pay - ironically tends to increase along with your success. This is because bigger sales and profits and earnings inevitably produce bigger tax bills (percentage of tax increases too in the early growth of a business), all of which becomes a very big problem if you've no funds to pay taxes when due.

The risks of getting into difficulties can be greater for the self-employed and small partnerships which perhaps do not have great financial knowledge and experience, than for larger Limited Company start-ups which tend to have more systems and support in financial areas.

Start-ups are especially prone to tax surprises because the first set of tax bills can commonly be delayed, and if you fail to account properly for all taxes due then obviously you increase the chances of spending more than you should do, resulting in not having adequate funds to cover the payments when they are due.

Risks are increased further if you are new to self-employment, previously having been employed and accustomed to receiving a regular salary on which all taxes have already been deducted, in other words 'net' of tax. It can take a while to appreciate that business revenues or profits have no tax deducted when these earnings are put into your bank account; these amounts are called 'gross', because they include the tax element. Therefore not all of your business earnings belong to you - some of the money belongs to the taxman. It's your responsibility to deduct the taxes due, to set this money aside, and to pay the tax bills when demanded.

Additionally, if you are a person who is in the habit of spending everything that you earn, you must be even more careful, since this tendency will increase the risks of your being unable to pay your taxes.

Failing to get on top of the reality of taxes from the very beginning can lead to serious debt and cashflow problems, which is a miserable way to run a business.

So you must anticipate and set aside funds necessary to meet your tax liabilities from the very start of your business, even if you do not initially have a very accurate idea of what taxes will be due, or you lack effective systems to calculate them - many small start-ups are in this position. Nevertheless it is too late to start thinking about tax when the first demands fall due.

If when starting your business you do not have information and systems to identify and account accurately for your tax liabilities, here are two simple quick tax tips to avoid problems with the taxman:

You must estimate your tax liabilities and ensure that you set aside funds to cover these liabilities while you are banking your payments received into the business. The easiest way to do this is to identify the taxes applicable to your business, for example VAT and your own personal income tax and national insurance. Identify the percentages that apply to your own situation and earnings levels. You can do this approximately. It does not need to be very precise. Add these percentages together, and then set aside this percentage of all your earnings that you receive into your business. Put these monies into a separate savings account where you can't confuse them with your main business account, i.e., your 'working capital' typically held in a current account.

Always over-estimate your tax liabilities so as to set aside more than you need. Having a surplus is not a problem. Having not enough money to pay taxes because you've under-estimated tax due is a problem; sometimes enough to kill an otherwise promising business.

Here's an example to show how quickly and easily you can plan and set aside a contingency to pay your tax bills, even if you've no experience or systems to calculate them precisely. This example is based on a self-employed consultancy-type business, like a training or coaching business, in which there are no significant costs of sales (products or services bought in) or overheads, i.e., revenues are effectively the profits too, since there are minimal costs to offset against profits:

example of estimating and setting aside money to pay taxes

1. In the UK VAT on most products and services is 17.5%. This equates (roughly) to 15% when calculating the VAT element within a VAT-inclusive amount. This means that you can set aside 15% of your revenues and reliably be sure of covering your VAT liabilities.

2. In the UK personal income tax and national insurance combined is roughly 30% of earnings up to about £30,000 (a little over in fact), rising to 49% - call it 50% - of earnings above £30k - roughly.

N.B. Income tax and national insurance are calculated on taxable earnings, which exclude money spent on legitimate business costs, and VAT received.

These figures in the above example are approximate I emphasise again, which is all you need for this purpose, moreover the approximations are on the high side of what the precise liabilities actually are. Accountants call this sort of thinking 'prudent'. It's a pessimistic approach to forecasting liabilities rather than optimistic, which is fundamental to good financial planning and management: if the pessimism is wrong then you end up with a surplus (which is good), but if you are wrong in making optimistic forecasts and estimates (over-ambitious sales, and lower-than-actual costs and liabilities), then you run out of money (which is bad).

Back to the percentages.. Knowing the income tax percentages enables you to set aside a suitable percentage of your earnings when you receive them into the business. Roughly speaking, for earnings up to £30k you need to set aside 30% to cover income tax and national insurance. For earnings over £30k you need to set aside 50% to cover your income tax and national insurance. (Earnings below £30k remain taxable at 30%). Remember you can arrive at these figures based on the VAT exclusive revenues, but to keep matters simpler it is easier to use an adjusted total percentage figure to apply to the total gross earnings. If it's kept very simple and quick you'll be more likely to do it - and/or to communicate the method effectively to your partner if they are responsible for handling the financials, as often happens.

Given this example, if in your first year your gross revenues (banked payments received) are say £50,000, assuming you are VAT registered, then your tax liabilities will be (roughly):

VAT registered, then your tax liabilities will be (roughly):

17.5% VAT liabilities equates to 15% of gross sales revenues	£7.5k	(again we are assuming no significant costs to offset these figures)
30% Income tax/NI on first £30k earnings	£9.0k	total net earnings are say £42.5k, being £50k less £7.5k VAT, again we are assuming negligible costs to offset against earnings
50% Income tax/NI on remaining £12.5k earnings	£6.25k	£12.5k of the net £43.5k earnings is taxed at the higher rate, again assuming negligible costs offset against earnings
total tax liabilities = 45.5%, or to be extra prudent call it 50%...	£22.75k	(£22.75k total tax ÷ £50k gross revenues = 45.5%)

From this example you can see that setting aside 45.5% of earnings (yes it's a lot isn't it - which is why you need to anticipate it and set the money aside) would comfortably cover VAT and income tax liabilities. To be extra safe and simpler in this example you could round it up to 50%. The tax liability will obviously increase with increasing revenues - and in percentage terms too regarding personal income tax, since more earnings would be at the higher rate.

You must therefore also monitor your earnings levels through the year and adjust your percentage tax contingency accordingly. As stated already above, the risk of under-estimating tax liabilities increases the more successful you are, because tax bills get bigger.

In truth you will have some costs to offset against the earnings figures above, but again for the purposes of establishing a very quick principle of saving a fixed percentage as a tax reserve until you know and can control these liabilities more accurately, the above is a very useful simple easy method of initially staying solvent and on top of your tax affairs, which are for many people the most serious source of nasty financial surprises in successful start-up businesses.

The above example is very simple, and is provided mainly for small start-up businesses which might otherwise neglect to provide for tax liabilities. The figures and percentages are not appropriate (but the broad principle of forecasting and providing funds for tax liabilities is) to apply to retail businesses for example, or businesses in which staff are employed, since these businesses carry significant costs of sales and overheads, which should be deducted from revenues before calculating profits and taxes liabilities. Neither does the example take account of the various ways to reduce tax liabilities by reinvesting profits in the business, writing off stock, putting money into pensions, charitable donations, etc.

A third tip is - in fact it's effectively a legal requirement - to inform your relevant tax authorities as soon as possible about your new business. Preferably do this a few weeks before you actually begin trading. That way you can be fully informed of the tax situation - and your best methods of dealing with tax, because there are usually different ways, and sometimes the differences can be worth quite a lot of money.

I do not go into more detail about tax here because it's a very complex subject with wide variations depending on your own situation, for which you should seek relevant information and advice from a qualified accountant and/or the relevant tax authorities.

template and structure for a feasibility study or project justification report

First, and importantly, you need to clarify/confirm the criteria that need to be fulfilled in order to justify starting or continuing the project or group, in other words, what do the decision-makers need to see in order to approve the project or its continuation?

Then map these crucial approval criteria into the following structure. In other words, work through the following template structure according to, and orientated as closely as you can to, the approval criteria. (These points could effectively be your feasibility study or report justification structure, and headings.)

past, present and particularly future ('customer') need (for the outputs/results produced by group or project)

benefits and outcomes achieved to date for what cost/investment

benefits and outcomes to be produced in the future

resources, costs, investment, etc., required to produce future required outcomes and benefits (identify capital vs revenue costs, i.e., acquisition of major assets and ongoing overheads)

alternative methods or ways of satisfying needs, with relative cost/return (return on investment) comparisons (ie., what other ways might there be for satisfying the need if the group or project doesn't happen or ceases?)

outline strategy and financial plan, including people, aims, philosophy, etc (ideally tuned to meet the authorising power's fulfilment criteria) for proposed start or continuation of project (assuming you have a case, and assuming there is no better alternative)

Keep it simple. Keep to the facts and figures. Provide evidence. Be clear and concise. Refer to the tips about effective writing. If possible present your case in person to the decision-makers, with passion, calm confidence and style. Look at the tips on presentations, and assertiveness.

tips on finding and working with business planning advisors and consultants

If you need help putting together a business plan, and if you want to get the best from the engagement, it's important to find the right person to work with, and to establish and maintain a good working relationship with them. If you are great big organisation you'll probably not need to work with outsiders, and if you do then you'll probably opt for a great big supplier, however there are significant benefits from working with much smaller suppliers - even single operators - and if you are a small business yourself, then this is probably the best choice anyway: to seek a good single operator, or small partnership of experts. Here are some ideas of what to look for.

You'll be best finding someone who meets as much of this criteria as possible:

lives close-by you so you can work face-to-face with them and get to know each other properly, and so that their time is efficiently used, instead of being in traffic on their way to and from your place

is high integrity and very discreet

is grown-up and got no baggage or emotional triggers - wise and mature - and it needn't be an age thing

can help you see and decide where and how you want to take the business, rather than tell you where he/she thinks you need to go - a mentor not an instructor

understands or can immediately relate to your industry sector and type of work

is experienced working with small family companies, but is also a big picture strategist and visionary (advisors who've only ever worked with big corporations can sometimes be a bit free and easy with relatively small amounts of money - you need someone with a very very practical approach to managing cash-flow, and real business realities, who've worked in situations without the protection of vast corporate bureaucracy and the lack of transparency that this often brings)

is triple-brained or whole-brained - mostly front-brained - (see the stuff on Benziger) - intuitive-creative, thinking, but also able to be personable and grounded, subject to the point below

complements your own strengths and fills the gaps and weaknesses in your collective abilities (again see the stuff on Benziger and Jung etc) - ie., if collectively you need hard facts and figures and logic then seek people with these strengths - conversely if you are strong on all this, then seek the creative humanist ethical strengths - he/she must work with you in a balanced team - so that the team has no blind spots, and no subjective biases in style or emphasis has two or three referees you can talk to and see evidence of past work (although if you check most of the above it will be a formality)

doesn't smoke or drink too much

isn't desperate for the work

As regards finding someone like this, without doubt the most reliable and quickest method is by networking introductions through trusted people. The person you seek might be three or more links away, but if it's a friend or associate of someone trusted, by someone who's trusted, by someone you trust, then probably they'll be right for you. Start by talking to people you know and asking if they know anyone, or if they know anyone who might know anyone - and take it from there.

The chances of finding the right person in the local business listings or directory, out of the blue and from cold, are pretty remote.

Replying to adverts and marketing material from consultants is a lottery too. You'll find someone eventually but you'll need to kiss a lot of frogs first, which takes ages and is not the cleverest way to spend your valuable time.

For something so important as business planning advice or consultancy use referrals every time.

Referrals work not only because you get to find someone trusted, but the person you find has a reasonable assurance that you can be trusted too, you see: good suppliers are just as choosy as good clients. It works both ways.

Be prepared to reward the person in whatever way is appropriate and fair (I'm thinking percentage share of incremental success beyond expectations - perhaps even equity share if the person is really good and you'd value their on-going contribution and help).

Often the best people won't ask for much money up front at all, but from your point of view you will attract a lot more commitment and work beyond the call of normal duty from them if you reward higher than they ask or need.

Good suppliers are immensely motivated by good clients and lots of appreciation, even if they don't want the financial reward.

Good suppliers have usually seen too many ungrateful greedy people taking them for granted and penny pinching, and will tend to sack clients like these without even telling them why, and move on to more deserving enjoyable work with people who are fair and appreciative, which is how you'll be I'm sure.

Finally, when you've found the right person, always continually agree expectations and invite feedback about how the relationship is working, not just how the work is going.

starting your own business - or starting any new business

These are the simple rules for planning and starting your own business. The principles also apply to planning and starting a new business within an organisation for someone else.

In amongst the distractions and details of new business planning, it is important to keep sight of the basic rules of new business success:

Your successful new business must offer something unique that people want.

Uniqueness is vital because otherwise there is no reason for customers to buy from you.

Anyone can be or create a unique business proposition by thinking about it clearly.

Uniqueness comes in all shapes and sizes - it's chiefly being especially good and different in a particular area, or field or sector.

Uniqueness can be in a product or service, or in a trading method, or in you yourself, or any other aspect of your business which makes what you are offering special and appealing to people.

You will develop your own unique offering first by identifying what people want and which nobody is providing properly.

Second you must ensure that your chosen unique offering is also an extension of your own passion or particular expertise or strength - something you will love and enjoy being the best at - whatever it is.

Every successful business is built on someone's passion.

new business start-ups by older people

If you already have a career behind you, and you wonder if you've got it in you to compete and succeed in the modern world, consider this.

First - you have definitely got it in you to succeed.

Experience and wisdom are fundamental building blocks of success, and will be for you from the moment you start looking at yourself in this way.

The reassuring wisdom that older people generally possess is extremely helpful in forming trusting relationships - with customers, suppliers, partners, colleagues, etc - which are essential for good business.

Added to this, as we get older we have a greater understanding of our true passions and capabilities; we know our strengths and styles and tolerances. This gives older people a very special potency in business.

Older people know what they are good at. They play to their strengths. They know which battles they can win, and which to avoid.

Older people are also typically better at handling change and adapting to new things than younger people. This is because older people have had more experience doing just this. Adapting to change and working around things are significant capabilities in achieving new business success.

If you are an older person considering starting a new business, think about the things you can do better than most other people - think about your strengths and use them.

business start-ups for younger people

Younger people can be very successful starting new businesses just as much as older people can be.

The essential principle of playing to your strengths applies, although the implications are different for younger people compared to older people.

Younger people are likely to have lots of fresh ideas. This is an advantage, so avoid people pour cold water on them.

Test your ideas on potential customers, rather than to take advice from those people who are ready with their buckets of water.

Next, get the help you need. It's difficult for young people to know all the answers.

You'll have the ideas and the energy to make things happen, but consider the gaps in your experience, and the things you don't enjoy doing, and seek good quality reliable help for these things.

Getting good help at what you can't do or don't want to do will enable you to put all your energy into what you are good at and what you want to spend your time doing.

Young people sometimes try to force themselves to fit into roles or responsibilities that are not comfortable or natural. This is de-stabilising and stressful. Learn what you love and excel at, and focus on building success from this.

Which brings us back to playing to your strengths.

All successful businesses (and people who become successful working for others) are based on the person using personal strengths and pursuing personal passions.

Success in business is always based on doing something you love and enjoy, which is fundamentally related to your natural strengths and unique personal potential, whatever that is.

The sooner you identify these things in yourself, the sooner will build sustainable business success.

planning business success - in summary

Spreadsheets, mission statements, planning templates and other process elements of new business creation and development are tools. They enable the business to be properly structured, started and run. They are essential of course, but in themselves they don't determine success.

Business success is determined by deeper factors.

Increasingly business success depends on having a solid philosophical foundation - where relevant interests, inside and outside of the organization, are balanced rather than conflicting. The bigger the business, the more widely it must consider how it relates to external interests and responsibilities - to society and the world at large.

A business with this sort of harmony and balance built into its shape and principles at the outset has a huge advantage over a business which contains tensions and competing pressures. Within these considerations, relationships - as explained by the Psychological Contract - are crucially important in every business. Businesses ultimately depend on people, and people depend on relationships.

Aside from this - and without diminishing the significance of other vital business components such as reliability, value, quality, etc., which are necessary merely to survive at a basic level - uniqueness and passion are the remaining special ingredients for success:

Uniqueness (just one word, with so many implications) - so that people will want what you offer, and

Passion, so that you will enjoy being and offering your best - and so that this belief and commitment conveys to others.