

Business Planning

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Introduction

Why become self-employed, a freelancer or start your own business? There are many reasons and benefits why people choose this career path. Most people want to be their own boss. Others do it to make lots of money or even just to make a second income. Some relish the challenge of working for themselves, while others have no option but to go self-employed.

Many successful businesses today were established by students while they were still in university or just after completing university. Many argue that there is never a better time to start a business than at university. Some examples are Google, Facebook, Time magazine, Dell and many more.

So you have got a business idea and now you want to develop it further...we are here to help!
In this series you will find information on how to become self-employed many links to valuable resources so you can do further research on your idea and gain a bit more knowledge about the start-up process.
Within this series you will find information on:

- Enterprise Skills
- Business Planning

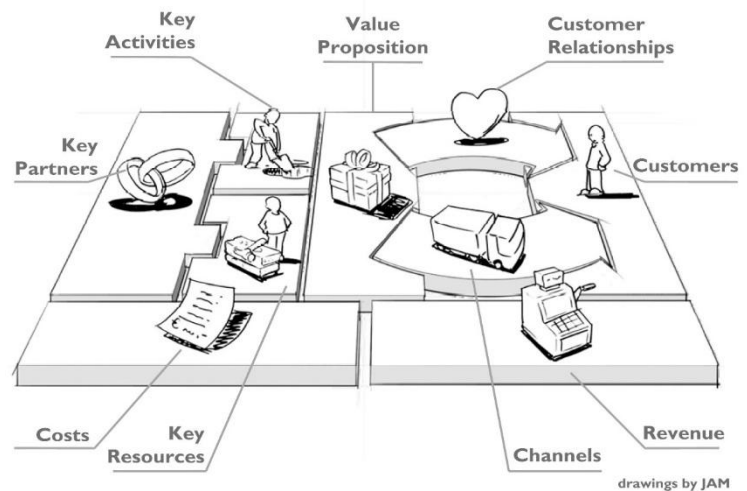
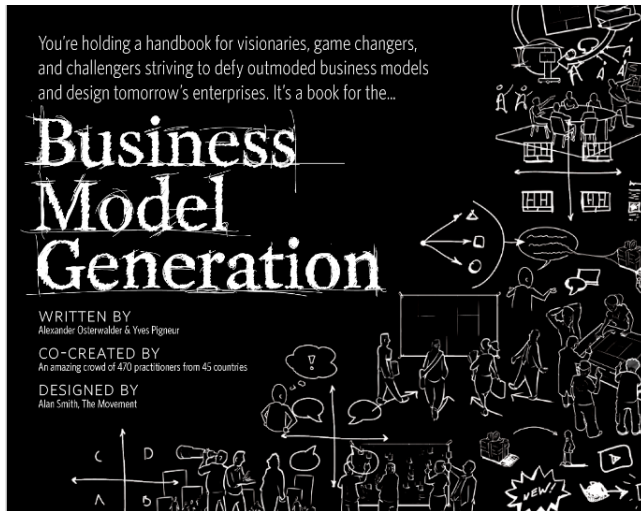
Please book in for a Work for Yourself meeting or attend our live workshops so you can progress into your own business start-up journey. You can find more information on what Work for Yourself Team has to offer here <https://www.salford.ac.uk/careers/work-yourself> or email us on careers@salford.ac.uk

In this booklet you will be able to find out more about:

- Business Planning

Your Business Model

Business Planning starts with considering your business model. Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers by Alexander Osterwalder, Yves Pigneur (2010) is a brilliant text which will help you on your journey and can be found in our library. The below sections use highlights from this text.



Customer Segments

The customer segment building block defines the different groups of people or organisations an enterprise aims to reach and serve. Customers comprise the heart of any business and no company can survive without them. Customer groups represent separate segments if:

- Their needs require and justify a distinct offer.
- They are reached through different Distribution Channels
- They require different types of relationships.
- They have substantially different profitability's
- They are willing to pay for different aspects of the offer.

To identify your customers, look back at your Market research- your customers are your Target Market. If you need help to identify them, ask yourself the following questions:

Who will be interested in buying your product?

What do you know about them (e.g. their values and buying behaviour)?

Are there enough customers that are easily accessible?

The Value Proposition

The Value Proposition building block describes the bundle of products and services that create value for specific Customer Segment. It does this through a distinct mix of elements catering to that segment's needs. Values may be quantitative (e.g. price, speed of service) or qualitative (e.g. design, customer experience).

Elements from the following non-exhaustive list can contribute to customer value creation:

- | | |
|---|--|
| ❖ Newness (mobile phones) | ❖ Brand Status (Rolex) |
| ❖ Performance e.g. (faster computers) | ❖ Price |
| ❖ Customization (customizable products) | ❖ Cost Reduction (used car-one year service guarantee) |
| ❖ Getting the job done | ❖ Accessibility |
| ❖ Design (fashion clothing) | ❖ Convenience/ Usability (Ipod-Itunes) |

If you need help to identify them, ask yourself the following questions:

What value are you creating for your customers?

Which one of our customer's problems are you helping to solve?

Which customer needs are we satisfying?

Channels

The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver Value Proposition. The Channels are company's interface with customers. Channels are customer touch points that play an important role in customer experience. Channels serve several functions:

- Raising awareness among customers about a company's products and services
- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specific products and services.
- Delivering a Value Proposition to customers
- Providing post-purchase customer support
- Types of Channels are: Sales Force, Web Sales, Own Stores, Partner Stores, Wholesaler

Customer Relationships

This building block describes the types of relationships a company establishes with specific Customer Segments. Customer Relationships may be driven by the following motivations:

- ❖ Customer Acquisition
- ❖ Customer Retention
- ❖ Boosting Sales (Upselling)

Types of customer relationships are:

- ❖ Personal assistance (based on human interaction)
- ❖ Dedicated personal assistance (dedicating a staff member to customer)
- ❖ Self-Service (no direct relationship)
- ❖ Automated services (automated recommendations)
- ❖ Communities (online communities, forums)
- ❖ Co-Creation (creating content: YouTube or personalising of products)

Revenue Streams

This Segment represents the cash a company generates from each of Customer segments. A business model can involve two different types of Revenue Streams:

- Transaction revenues resulting from one-time customer payments
- Recurring revenues resulting from ongoing payments to either deliver a Value Proposition to customers or provide post-purchase customer support

There are several ways to generate revenue streams:

- Asset sale: selling goods.
- Usage fee
- Subscription fees
- Lending renting leasing fees
- Licensing
- Brokerage fees
- Advertising

How much will you sell your product or service for?

Consider who your target audience is and what the market is like. What will potential customers be willing to pay? What are your competitors charging and how you will compare them? You will also need to consider the costs you have outlined above and how you will cover these.

Key Resources

Key Resources describes the most important assets required to make a business model work. These resources allow the business to create and offer a Value Proposition, reach markets, maintain relationships with customers and earn revenue. Key resources can be categorised as follows:

- **Physical** (assets such as manufacturing facilities, buildings, vehicles machines, distribution networks)
- **Intellectual** (brands, proprietary knowledge, patents and copyrights and customer databases)
- **Human**
- **Financial** (financial guarantees, such as cash, lines of credit)

What are the key resources needed to start and run your business?

Key Activities

Key Activities describes the most important things a company must do to make its business model work. Like Key Resources, they are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues. Key activities include:

- **Production** (designing, making and delivering a product)
- **Problem solving** (coming up with new solutions to clients' problems)
- **Platform/ Network** (networks, matchmaking platforms and brands function like a platform, e.g. Ebay website is core to its business model)

What are the key activities that your business needs to perform?

Key Partners

Key Partnerships describes the network of suppliers and partners that make the business model work. Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. We can establish between four different types of partnerships:

- Strategic alliances between non-competitors
- Coopetition: strategic partnerships between competitors
- Joint ventures to develop new businesses.
- Buyer-supplier relationships to ensure reliable supplies.

Who is currently part of your network and what skills and expertise do they have that could benefit your business?

They say it's all about who you know. As an entrepreneur setting out on your own venture, it's important to think about your network, who will support you and who can provide skills and expertise which you may not have.

Cost Structure

The Cost structure describes all costs incurred to operate a business model. Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.

Cost structures can have the following characteristics:

- Fixed Costs (these remain the same despite the volume of goods or services produced e.g. Salaries or rents)
- Variable Costs (these vary proportionally with the volume of goods or services produces)
- Economies of Scale (as output expands the costs advantages are greater e.g. lower bulk purchase rate)
- Economies of Scope (as outreach expands the business has greater cost advantages e.g. marketing)

Begin to think about how much it will cost to manufacture your product or deliver your service, and how much it will cost to run your business. Don't forget to think about overheads such as rent, web hosting, insurance and other day to day running costs. Begin to list these here and try to estimate how much they will cost.

Business Types & Legal Structures

Your business will need to operate under a legal structure. Your decision will have Implications for tax, national insurance, accounts, and record keeping and how management decisions are made.

When choosing the format of your business you may wish to consider:

- Your product or service and the risks involved.
- The types of customers you want.
- The investment and funding.
- The number of people involved in the business.

Sole Traders

Most people who start in business do so as sole traders, working on their own, often from home. They alone receive the income, and they alone are therefore liable for any losses or debts. Having no colleagues can be liberating but may equally be isolating with no one to provide motivation or inspiration.

Partnerships

You could set up in business with one or more colleague(s), relative(s), or friend(s). This form of business relationship is usually known as a partnership. All may be equal partner(s) or some may have a larger share of the business than others. Your income and liability are proportionate to your share in the business. Partnership agreements set up by a solicitor will prevent misunderstanding if circumstances change.

Limited companies

As a limited company, the business is registered with Companies House. It will be a virtual person in the eyes of the law and have separate finances from the owners. There are more regulations associated with running a business this way, but these are generally offset by tax advantages.

Franchises

Franchises provide a way for individuals to start their own businesses with the backing of an established brand and business process. Well-known examples include Domino's Pizza, Subway, McDonalds, Thornton's, and Toni&Guy.

By making an initial payment which secures equipment, raw materials, training, and a well-known commercial name you run a branch of the business ideally making a profit. You can get information and advice from The British Franchise Association (BFA).

Cooperatives

A cooperative is a group of like-minded people with similar aims and business interests. Often community based, co-ops are owned and run democratically, and everyone has a say. Profits are returned to members and typically involve employee share schemes. Coops are frequently creative, practical, or founded on ethical values.

Freelancing

Freelancers offer a skill or service to other businesses which employ them as needed for projects or for set lengths of time. They may be given office space or work from home, delivering work to (often tight) deadlines. Some freelancers actively market themselves. Others obtain work through agencies or by a direct approach from employers. Professional Contractors Group (PCG) promotes freelancing and provides advice and support.

Social Enterprises and Charities

Have you ever bought the Big Issue? Read it over a bar of Divine chocolate with a cup of coffee? Visited the Eden Project? Shopped at the Co-op? Well, then you may know more than you realise about social enterprises. Social enterprises are businesses that are changing the world for the better. Social enterprises are in our communities and on our high streets – from coffee shops and cinemas to pubs and leisure centres, banks and bus companies. By selling goods and services in the open market, social enterprises reinvest the money they make back into their business or the local community. This allows them to tackle social problems, improve people's life chances, support communities, and help the environment. So, when a social enterprise profits society profits.

Business Planning

Your business plan is the framework for your business idea. You need a business plan to gain credibility, obtain funding and manage risk. Your business plan describes the aims and objectives of your business, its market, strategies, and financial forecasts. Generally, a plan highlighting your intentions and ambitions over the next three years will suffice to begin with.

The process of preparing the plan will enable you to evaluate the feasibility of your idea and focus your mind on how to make your business a success. It will become a sales tool, help raise funding, attract potential business partners, suppliers and clients, or even persuade reluctant parents. Your aim is to persuade readers that your idea is a viable, and that you have the necessary motivation, skills, and business acumen to succeed.

What should a business plan include?

1. **Business Details** such as owners name, business name, trading address, telephone, mobile, e-mail address, web address
2. **Executive Summary:** Please provide a concise description of your business idea clearly identifying the product or service you plan to supply.
3. **Personal Profile:** In this section, please provide information in respect of your skills, qualifications and experience that have a direct bearing on your business and its chances of success. (*e.g., have you worked in this industry before, do you have qualifications that increase your skills and knowledge within this business area.*)

4. **Business Operations**

- What legal structure will your business be?
- What insurances do you need?
- Will you register for VAT?
- What other legal requirements relate to your business?

5. **The Market:** Please describe your understanding of your target market, how you have researched it and with what results. You should pay particular attention to your target customers, who they are and why they buy the product or service which you are offering. You should explain your understanding of the competition you will face in the market.

- Who are your target customers?
- What customer research have you completed and with what results?
- Why will they buy from you?
- Who are your competitors?

6. **Goals and objectives:** demonstrate that you have clearly defined SMART goals that are:

- Specific.
- Measurable.
- Achievable.
- Realistic.
- Time-framed.

Include short, medium, and long-term goals that describe specific measurable objectives such as market share and revenue/profitability. Break these down further to highlight how you will achieve these objectives.

7. **SWOT & PESTLE analysis:** SWOT means strength, weakness, opportunities and threats analysis is often done as a part of the process of developing a business plan or a marketing plan. It is a method for assessing your business, its markets, its resources, its competitors, and potential problem areas. A SWOT analysis can sometimes reveal opportunities that you had not previously considered or areas of your business that you need to improve. PESTLE denotes: P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental. It gives a bird's eye view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea/plan.

8. **Marketing Plan:** What methods will you use to advertise and promote your business? Explain how you will evaluate the effectiveness of your advertising and promotional activity.

9. **Business Premises:** Where will your business be based? If at home:

- Will you need the landlord's permission?
- Are neighbours likely to object?
- Will insurance need amending?
- If from business premises:
 - Types of Premises
 - Size of Premises
 - Basis of occupation e.g., lease/rent
 - Cost e.g., Rent, Business Rates, Water Rates
 - Is planning permission required.
 - What improvements are necessary? Refurbishment?

10. Financial Plan

Include definitions of relevant financial factors, including pricing assumptions, cash-flow, expected sales and profits for your first three up to five years of trading. Greater detail needed for initial 12 months. Include any financial assistance the business needs (loans, overdrafts, directors' capital) and demonstrate your business's ability to repay any borrowing required.

11. Start Up Costs

List all items of equipment, machinery, vehicles etc., which you will need to operate your business, plus your assessment of the value of each item. Also include costs of rent and insurance, marketing, web design etc.

- **Appendix** any additional details you think will add value to your plan, such as:
 - Full CVs of the management team.
- Promotional material.
- Market research results and reports.
- Competitor materials.
- Details of premises and equipment sought.

Try It Yourself

Activity 1 - View our Start-up tool kits <https://www.salford.ac.uk/careers/work-yourself/start-tool-kit-on-Market-Research-to-find-out-how-to-put-together-a-business-plan-&-model>.

Activity 2- Fill in a Business Model Canvas template for your business <http://moodle.vscht.cz/mod/resource/view.php?id=5822>

Activity 3- Download a Business Plan Template here - <https://www.salford.ac.uk/careers/work-yourself/start-tool-kit/business-planning>

Resources for Business Planning

- Government Guide on Setting-up a Business- <https://www.gov.uk/set-up-business>
- Ask About Business - <https://askaboutbiz.cobwebinfo.com/>
- Register your business for tax with HMRC- <http://www.hmrc.gov.uk/>
- Register your company with Companies House- <https://www.gov.uk/government/organisations/companies-house>
- Start-up Donut - <http://www.startupdonut.co.uk/>
- Department for Business (BIS) - <http://www.gov.uk/government/organisations/department-for-business-innovation-skills/about/statistics>
- Sample Business Plans - [Business planning | University of Salford](#)

Trade publications

- [Marketing Week](http://www.marketingweek.co.uk/) - <http://www.marketingweek.co.uk/>
- [Retail Week](http://www.retail-week.com/) - <http://www.retail-week.com/>
- [Financial Times](http://www.ft.com) - [Financial Times \(ft.com\)](http://www.ft.com)
- [Which?](http://www.which.co.uk/) - <http://www.which.co.uk/>
- [The Economist](http://www.economist.com/markets-data) - <http://www.economist.com/markets-data>

Commercial Data Analysis & Reports

- [Mintel](http://reports.mintel.com/homepages/quest/) - <http://reports.mintel.com/homepages/quest/>
- [Plimsoll World](http://www.plimsollworld.com/) - <http://www.plimsollworld.com/>
- [Datamonitor](http://www.datamonitor.com/) - <http://www.datamonitor.com/>
- [Kompass](http://gb.kompass.com/) - <http://gb.kompass.com/>
- [The Market Research Society](https://www.mrs.org.uk/) - <https://www.mrs.org.uk/> (MRS) publishes the Research Buyer's Guide and guidelines for carrying out market research.
- [Global Data](https://www.globaldata.com/) - <https://www.globaldata.com/>

Further Resources

- [Enactus Student Society](#) - [Enactus | University of Salford](#)
- Business Model Generation- <https://strategyzer.com/>
- [The World Bank](http://www.worldbank.org/) - <http://www.worldbank.org/>
- [Europe Statistics](http://europa.eu/) - <http://europa.eu/>
- [UK Trade Info](http://www.uktradeinfo.com/) - <http://www.uktradeinfo.com/>
- Office for National Statistics - <https://www.ons.gov.uk/>
- [Government Statistics](https://www.gov.uk/government/statistics) - <https://www.gov.uk/government/statistics>
- Information on Social Enterprises- <https://www.socialenterprise.org.uk/> .

What Support Can We Offer You?

Workshops

Join us in our weekly workshop classes facilitated by industry experts that can help you stand out from the crowd. These workshops will help you with every aspect of business planning and developing your entrepreneurial and employability skills. You will also find out about business competitions and funding available for your projects.

Work for Yourself Appointments

Do you have a business idea but are unsure of what to do? Book an [Work for Yourself Appointment](#) with the team and learn how to turn your dream into reality.

Start-up School

These are an exclusive intensive day event for our students and graduates who are serious about setting up in business or going freelance. Our experts will take you on a practical, informative, and hands-on journey learning the elements of successfully starting and running your own business.

Online Resources

View our online resources through the Careers & Enterprise website and watch our LinkedIn Learning Pathways that will help you on your business journey.

Student Societies

These are the University of Salford enterprise student societies that all students can engage with. Any student from any degree discipline can tap into any of the enterprise initiatives available at the university. These societies work on real life projects, which help them develop their skills and knowledge and gain 'real world' experience that employers' value.

Innovator Founder Visa

The new Innovator Founder programme now has 3 endorsing bodies, alongside provisions for the government's Global Entrepreneurs Programme (GEP)

Successful Innovator Founder applicants:

- Are granted leave for 3 years at a time, and after 3 years, they can apply for a 3-year extension or apply to settle permanently in the UK
- Can work outside their own businesses as long as the work is skilled to RQF level 3 to support themselves as they get their business off the ground'

Start-up Pitching Awards

Are you seeking funding to start-up your new business? Are you looking to set up a sustainable venture that has social impact or a normal business? We have cash grants available to get your business off the ground. Students who are looking to apply, should engage with our enterprise activities and book an appointment to discuss the application before submitting.