

Certificate in Small Business Management

Business Plan Template

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1.0 Strategic Profile

The Strategic Profile gives an overview of the business. The Strategic Profile is extremely important, as it makes clear the purpose of the business and outlines the ways in which the business will operate.

The Strategic Profile includes:

- 1.1 Vision
- 1.2 Mission
- 1.3 Core Values
- 1.4 Organisational Culture
- 1.4 Goals and Objectives
- 1.6 Business Description

1.1 Vision

The vision is the overall goal of the organisation / business. It sums up what the business is aiming to achieve over the long term.

Example:

The vision of Resene is:

“To be respected as an ethical and sustainable company and acknowledged as the leading provider of innovative paint and colour technology”¹

Vision

1.2 Mission

The mission outlines the action steps your business will take in order to achieve the vision.

Example:

The mission of Canon New Zealand is:

“To be the preferred supplier we will be easy to deal with and provide quality, value for money products and services. To ensure success for all stakeholders we will delivery profitability, growth, job fulfilment and have a positive impact on the community.”²

Mission

¹ Available online at: www.resene.co.nz (23 January 2013)

² Available online at: www.canon.co.nz (16 January 2013)

1.3 Core Values

The core values express the beliefs, or the tikanga, of the business. They are a set of guiding principles that those inside the organisation value and hold important.

Examples:

The tikanga of Wakatu Incorporation is as follows:

*“Kaitiakitanga – Custodianship – We manage our taonga responsibly and sustainably.
Pono – Integrity – We are honest, open and accountable.
Rangatiratanga – Chieftainship – We are courageous and in control of our destiny.
Manaakitanga – Care – We respect, nurture and support one another.
Auahatanga – Innovation – We are adaptable and creative.
Whanaungatanga – Relationships – We are a family business, and value our relationships.”³*

The Royal New Zealand Navy has three core values that personnel strive to live by:

*“Courage: To be brave enough to do what one believes to be right;
Commitment: The state of being involved in an obligation (or pledge);and.
Comradeship: Companionship with those who share one’s activities”.⁴*

Core Values

³ Available Online at: www.wakatu.org.nz (21 January 2013)

⁴ Available Online at: www.navy.mil.nz (16 January 2013)

1.4 Organisational Culture

When writing about organisational culture you will be writing about the way things are done in your business. Consider how different areas of your business are organised, and the 'feeling' amongst those inside your business. For example, think about management styles, the structure of the business, the general climate (feeling) and the attitudes towards customers, wholesalers, suppliers, manufacturers, technology and innovation.

If you are setting up a business, or looking to alter the culture of an existing business, you should aim for the culture of the organisation / business to relate to the core values of the company. For example, if a core value of the business is a commitment to staff development, you may implement a culture where decision making is decentralised (i.e. all staff participate in decision making, not just the owner), staff are given training opportunities, and new technology is adopted.

Example:

The culture of The Warehouse (New Zealand) is based around putting people first:

It's very satisfying to work for a business that is dedicated to making a difference to people's lives. Our big focus is on making quality products affordable for New Zealanders. Our team members are committed to putting the customer first and making their shopping experience as enjoyable as possible.

Our people are passionate about The Warehouse, its products, customers and being part of a terrific team. Across our business, our 'one team' spirit comes through because we enjoy being part of a successful company; committed to supporting the environment and the communities we operate in.

Our culture is uniquely "kiwi" - relaxed, down to earth and fun. Team members enjoy working for us because of the learning opportunities and the friends they make. Our Team Members are encouraged to take personal accountability for their performance and to support and challenge each other. We take time to recognise individual capabilities and qualities, providing as much challenge and development as we can - this all makes The Warehouse a great place to work."⁵

Organisational Culture

⁵ Available Online at: www.thewarehouse.co.nz (16 January 2013)

1.5 Goals and Objectives

Goals of the business need to be consistent with the vision. Goals will specify what the business aims to achieve within the medium to long term. The objectives of the business are secondary goals, which outline what the business needs to do to achieve the goals.

In other words, goals ask the question 'WHAT do we want to achieve by a certain time?' Whereas, objectives ask 'HOW are we going to achieve the goal?' or 'WHAT STEPS are required in order to achieve the goal?'

Goals and objectives should be SMART, that is: Specific, Measurable, Attainable, Relevant to the overall vision and mission of the business and include a Time frame for completion.

Examples:

One goal of a carpet cleaning business may be:

- *To expand to operate in three different townships, with a minimum of 300 customers per annum in each location by 31 December 2015.*

Two objectives for the above goal may include:

- *To complete market research by 1 November 2013 that identifies the three most suitable locations to operate the business.*
- *To commence operations in a second location by 1 July 2014.*

Another goal of the carpet cleaning business may be:

- *To earn a profit of \$32,000 in the first financial year (ending 31 March 2014).*

Three objectives for the above goal may include:

- *To develop a comprehensive marketing promotion strategy, including a minimum of seven types of promotion, prior to commencing business on 1 July 2013.*
- *To prepare a detailed financial plan for the first financial year prior to commencing business on 1 July 2013.*
- *To negotiate a minimum 2% discount on bulk purchases with both of the main two suppliers of the business prior to commencing business on 1 July 2015.*

Goal 1

Objectives for Goal 1

Goal 2

Objectives for Goal 2

Goal 3

Objectives for Goal 3

1.6 Business Description

The business description can include a number of different parts. It usually involves a discussion of the industry (or industries) the business operates in, the business segments and products, as well as the size and structure of the business and the markets in which the products / services are sold. However, you may include other areas that describe your business if you feel it is appropriate.

Example:

Te Wānanga o Aotearoa operates in the Tertiary Education Industry in New Zealand.

There are four product segments of the organisation:

- *Umanga*
- *Aronui*
- *Mātauranga Māori*
- *Toi*

Products within the Umanga segment include computing and business management programmes that provide practical information and high quality teaching and support to students. Two of the largest programmes include the Level 2: First Steps to Business Programme and the Level 4: Certificate in Small Business Management.

Products within the Aronui segment include teaching qualifications from Certificate to Bachelor-level, sports and fitness programmes and social services qualifications. The Mātauranga Māori segment consists of programmes with a Māori knowledge focus, such as Te Ara Reo Māori (Māori language), while the Toi segment includes arts-related educational programmes.

Programmes are offered in numerous locations around both the North Island and South Island of New Zealand, with some programmes delivered in more than 60 locations nationwide. The main type of customer includes adult learners who are looking to improve their employment options, start their own business, and / or develop their knowledge of the Māori language and culture, and who wish to study within a kaupapa Māori environment.

The organisation commenced operation in Te Awamutu as the Waipa Kokiri Arts Centre in 1983. In the following years it grew to include a number of campuses around New Zealand. In 1994, the organisation changed its name to Te Wānanga o Aotearoa.

Industry (Industries)

Business Segments

Products / Services – An Overview

Markets – Location and Main Customers

If you consider you need to include a description of another aspect of your business (e.g. length of time that the business has been in operation), the box below can be used for this purpose.

Additional Details

2.0 Internal Analysis

This is an analysis of the internal strengths and weaknesses of the business. That is, it is an analysis of things that occur within the business that can be controlled, changed, and / or improved by management. It is used to identify problems that need to be addressed, and strengths that can be built on when developing plans and strategies.

Components of the Internal Analysis include:

- 2.1 Identification of Skills, Capabilities, Experience and Resources

- 2.2 Competitive Advantage

2.1 Identification of Skills, Capabilities and Resources

List the skills, capabilities and resources of your business. Also identify any weaknesses in the business. To help complete this exercise, skills, capabilities, experience and resources have been grouped into the following categories:

- Current Financial Position
- Skills, Capabilities and Experience
- Tangible Resources
- Intangible Resources

Each of these categories is explained with examples below. These categories are only guidelines for identifying your strengths and weaknesses. There may be some overlap in these categories. For example, you may choose to list experience in various areas under 'Skills, Capabilities and Experience' or under 'Intangible Resources'.

2.1.1 Current Financial Position

When identifying strengths and weaknesses in regards to your current financial position, consider factors such as access to various sources of finance, credit rating, clarity of financial record keeping and debt levels.

Examples:

Strengths may include:

- *Availability of \$8,000 for start-up funds from family members.*
- *Good relationship with bank. Have been with the same bank for 16 years.*

Weakness may include:

- *Two different hire purchase debts totalling \$4,500.*
- *No savings of my own available to put into the business.*

Current Financial Position	
Strengths	Weaknesses

2.1.2 Skills, Capabilities and Experience

List skills, capabilities and experience that your business has access to under 'strengths' and then identify areas of weakness for your business.

Examples

Your business may (may not) have skills in some of the following areas:

- *Advertising, customer service, report writing, public speaking, budgeting, computer systems, supervising staff, te reo Maori, tikanga Maori, technical expertise in the area of your business, (e.g. Carving, Hairdressing, Computer Programming, etc.)*

Some examples of capabilities your business may have are:

- *An ability to respond to all customer call-outs within 15 minutes.*
- *An ability to milk 200 cows within two hours.*
- *An ability to provide a complete range of beautician services at the customer's home.*

Examples of areas of experience that you or your business may have (or lack) include:

- *Six years of experience in dealing with customer enquiries in a similar business.*
- *Experience in designing software. Three forms of software have been developed over the last two years.*
- *Three years of general management experience in a hardware business, e.g. office management, supervising, etc.*

Skills, Capabilities and Experience	
Strengths	Weaknesses

Skills, Capabilities and Experience	
Strengths	Weaknesses

2.1.3 Tangible Resources

Tangible resources are resources and assets that you can physically touch.

Examples:

Tangible resources may include:

- *Own a suitable building to be used as the business workshop.*
- *Two computers that are less than one year old.*
- *Own a 1985 tractor in excellent working order.*

Tangible Resources	
Strengths	Weaknesses

2.1.4 Intangible Resources

These are resources and assets that are not physical in nature.

Examples:

Intangible resources may include:

- *Good reputation amongst building contractors.*
- *A registered patent for the laser equipment developed by the business.*
- *A registered trade mark that is well known in the industry.*

Intangible Resources	
Strengths	Weaknesses

2.2 Competitive Advantage

This step involves finding out if your business has any sources of sustainable competitive advantage. In other words, it involves answering the questions: What advantage does the business have over the competitors? Can this advantage be maintained in the long-term? Can competitors copy the strengths of the business? How is your business unique or different to your competitors?

2.2.1 VRIO Analysis

Use the VRIO table provided to identify any sources of sustainable competitive advantage. From the previous internal analysis, identify at least five of the main skills, capabilities etc of your business (potential business). List these in the table provided. Then answer the following questions for each strength:

1. **Valuable:** Is it valuable for future business?
2. **Rare:** Do many other businesses have it?
3. **Imitate:** Is it costly or difficult to copy?
4. **Organisation:** Is the business organised in a way that allows the strength to be used to its full potential?

If the answer to one of these questions is 'No', do not continue to ask the remainder of the questions. Instead, move on to the next strength. If the answer is 'Yes' for all of the four questions, the business has a sustainable competitive advantage. Note that it is very common for small businesses to not have any sources of sustainable competitive advantage.

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Examples: An example of how to use VRIO is shown in the table below:

Example Strengths	Valuable	Rare	Costly to Imitate	Organisation
<i>Building Located in Centre of City</i>	✓	✓	✗	
<i>Basic Computing Skills</i>	✓	✗		
<i>Patented Technology</i>	✓	✓	✓	✓

In the example above, only the patented technology provides the business with a source of sustainable competitive advantage.

Complete the table below for your business.

Strengths	Valuable	Rare	Costly to Imitate	Organisation

Use the VRIO table to identify any sources of sustainable competitive advantage. Also identify any strengths that could be built on to provide a source of sustainable competitive advantage in the future.

2.2.2 Explanation of Competitive Advantage

Using the results of the previous VRIO analysis, write a paragraph outlining what sources of sustainable competitive advantage the business has. If the business does not yet have a source of sustainable competitive advantage, it must be explained how the business will develop an advantage over competitors. This explanation may refer to the business's unique selling points. You need to ensure that your explanation is consistent with the results of your VRIO analysis.

Explanation of Competitive Advantage

3.0 External Analysis

This is an analysis of the external environments in which the business operates (will operate). External factors are things that occur outside of the business that the business does not have any control over. The external analysis is used to identify any opportunities and threats facing the business.

Components of the External Analysis include:

- 3.1 STEPP Analysis
- 3.2 Industry Profile
- 3.3 Porter's Five Forces
- 3.4 Competitor Profiles
- 3.5 Key Success Factors
- 3.6 Industry Foresight

3.1 STEPP Analysis

STEPP is used to examine the external environment in which the business operates. It involves consideration of five external factors that may affect the business. Each of these factors is given below along with examples relating to a car cleaning business.

Socio-cultural / Demographic Factors

An example of a socio-cultural and demographic factor that could be written for a car cleaning business is as follows:

- *The pace of lifestyles is continuing to increase. This provides an opportunity for the business, as many people do not have time to clean their car themselves. This is already evident in the local area and has, as such, already had a significant positive impact on the industry. It is therefore very likely that with further increases in the pace of lifestyles that an even higher proportion of people will be willing to pay others to clean their cars.*

Socio-cultural / Demographic Factors

Technological Factors

An example of a technological factor that could be written for a car cleaning business is as follows:

- *Advances in vacuum cleaning technology available for potential clients to clean their car at home. Although this is a threat and is considered likely to occur, it is not expected to have a significant impact on car cleaning businesses. This is because most customers choose to use professional car cleaners because they don't have time to do it themselves. I.e. they do not choose professional car cleaners due to the fact that they do not have sufficient technology at home to do it themselves.*

Technological Factors

Economic Factors

Two examples of economic factors that could be written for a car cleaning business include:

- *Increases in interest rates. Although this is likely to occur, it will only have a minor impact on the business as debt levels are low.*
- *The number of small businesses is increasing. This is expected to have a significant impact on car cleaners as businesses tend to get their vehicles cleaned professionally more than individuals do.*

Economic Factors

Political / Legal Factors

An example of a Political / Legal factor that could be written for a car cleaning business is as follows:

- *Increases in regulations and laws regarding disposal of cleaning chemicals. Although this is expected to occur, this business has a policy of only using environmentally friendly cleaning detergents. Therefore, it is not expected to have a large impact on this business. However, it would impose significant costs on those businesses that choose to continue using traditional cleaning detergents. Albeit unlikely, it may force them out of business, meaning more customers for remaining car cleaners.*

Political / Legal Factors

Physical / Environmental Factors

An example of a Physical / Environmental factor that could be written for a car cleaning business is as follows:

- *The climate in the local area has a significant impact on how often cars need cleaning. Every summer the local area gets very dusty and cars need to be cleaned more frequently. However, the climate has become particularly variable over the last five years and is expected to continue this way. Therefore, the business always runs the very large risk that, due to climatic changes, the summer months cannot be relied upon to generate the majority of the business's profits.*

Physical / Environmental Factors

3.2 Industry Profile

The industry profile involves identifying the characteristics of the industry in which the business (will) operate(s). It can be used to gain insight to the threats and opportunities that may face your business and will contain information regarding the attractiveness of the industry.

There are twelve industry profile questions / components, and answer spaces, provided below:

1. What is the market size?

Market Size

2. What is the growth rate of the industry? What stage in the growth cycle is the industry? (Introduction / Growth / Maturity / Decline).

Industry Growth Rate

3. How fast is the pace of technological change in the industry?

Pace of Technological Change

4. Are the products / services very similar, or highly differentiated? I.e. Comment on product similarities or differences in the industry.

Product / Services Similarities and Differences within the Industry

5. List what economies of scale can be utilised by businesses in the industry. I.e. does production in large quantities lower costs?

Opportunities for Economies of Scale

6. What levels of capital utilisation are required for success in the industry? For example, if businesses must purchase a highly expensive piece of machinery that will need to be upgraded within a short time, it is critical that a lot of use is made of the machinery in order to be successful.

Capital Utilisation Levels required for Success in the Industry

7. In your opinion, is the industry dominated by a few large companies, or is it fragmented with many small businesses? I.e. do one or two big companies hold a large part of the market share?

Industry Domination / Fragmentation

8. Comment on the amount of forward and backward integration in the industry. For example, is it common for businesses in the industry to become involved in the production of the good as well as retailing?

Forward and Backward Integration

9. Is appropriately skilled labour readily available? Discuss how easy / difficult it is for businesses in the industry to find suitably skilled labour.

Availability of Appropriately Skilled Labour

10. Comment on the availability of training opportunities. What training is available, and do you consider there are any problems regarding access to this training. For example, training may be extremely expensive or only available in certain locations.

Availability of Training Opportunities

11. List any trends there are in costs. For example are costs of supplies increasing? Decreasing? If so, why?

Trends in Costs

12. Explain how profitable the industry is. Is it above average? Below average?

Profitability of the Industry

3.3 Porter's Five Forces

The Porter's Five Forces model is used to analyse competitive forces in the industry in which the (potential) business operates (will operate). If each of the five forces is considered strong, then the industry is less attractive than if each force was low.

Example: An example of how to complete this analysis for the takeaways industry in a particular town is given below.

Note: It is important that you write full answers to these questions so that the person reading the business plan understands your answers.

1. Threat of new competitors

Question: Is the threat of new competitors high or low? What barriers to entry into the industry are there? (I.e. is it easy for new competitors to enter this industry?).

Example for Takeaways Industry: *It is likely that the threat of new competitors for the takeaways industry in a particular town is high. The investment (money and assets) required to start up a takeaways business is relatively low (only need cooking equipment and a location). It is not an industry where products are commonly patented and production in large quantities is not necessary to become competitive.*

Threat of New Competitors

2. Supplier Power

Question: Is the bargaining power of suppliers high, low or moderate? I.e. can a supplier easily increase prices / change the way they do things, leaving businesses in this industry with no choice but to continue using this supplier?

Example for Takeaways Industry: *The power of suppliers is expected to be relatively high. Most takeaways businesses are very small relative to suppliers of soft-drinks, chips, seafood, etc. However, if*

the takeaway store is located in an area where it is common, and easy, for backwards integration to take place (e.g. Takeaway stores growing the potatoes themselves), the power of suppliers may be notably lower. Similarly, if there are several alternative suppliers, power is lower.

Supplier Power

3. Customer Power

Question: Is the bargaining power of customers high, low or moderate?

Example for the Takeaways Industry: *Customer power for the takeaways industry is generally low. Most customers are individuals placing very small orders (instead of buying in bulk). If there were only a couple of buyers, customer power would be higher. However, the more takeaways stores there are available in the local area, the more power customers have as they can simply switch to a different takeaways store if they are not completely happy with the takeaways store they usually use.*

Customer Power

4. Threat of Substitute Products

Question: Is the threat of substitute products / services high, low or moderate?

Example for the Takeaways Industry: *The threat of substitute products for the takeaways industry is likely to be moderate to low. There are usually a number of substitutes available (e.g. restaurants, supermarket, home cooking), however, these are not close substitutes. Clients of takeaway stores are usually looking for convenience at a relatively low price. This is not usually provided by the above substitutes.*

Threat of Substitute Products

5. Rivalry amongst Existing Competitors

Question: Is rivalry amongst existing competitors high, low or moderate?

Example for the Takeaways Industry: *This force is likely to be high in the takeaways industry. There are usually several small takeaways businesses in an area, selling very similar products.*

Rivalry amongst Existing Competitors

3.4 Competitor Profiles

Identify your nearest direct competitors (businesses who offer similar products to you and target the same market) and your indirect competitors (competitors who operate in the same industry as you, but don't target the same market). For example, a direct competitor for McDonalds is Burger King and an indirect competitor would be an upmarket restaurant.

If you have difficulty in identifying which competitors are direct competitors, and which are indirect competitors, drawing a competitor strategic group map may help you. Strategic group maps were discussed in Module 1.

Direct Competitors

Indirect Competitors

Next, construct a profile of each direct competitor. Do not limit profiles to the spaces provided. It is helpful to also keep an individual file on each of these competitors, containing information such as prices charged, promotion strategies used, etc. For example, you could keep copies of all of your competitor's advertisements printed in the newspaper.

Questions to ask regarding each competitor include:

1. What is the business name?
2. Why do you consider this business to be a 'direct competitor'?
3. How is their product / service similar / different from what you are offering?
4. Where is this competitor located?
5. How well is this competing business doing?
6. What are the strengths and weaknesses of this business?
7. What can be learnt from the way this competitor does business?
8. What other relevant information do you have regarding this competitor?

Use the spaces provided on the following pages to answer these questions.

Direct Competitor 1: Name

1. Location:

2. Why this business is considered to be a direct competitor:

3. Outline of how the products / services of this competitor are similar or different from what is being offered by this business:

4. Perceived success of this competitor:

5. Strengths of this competitor:

6. Weaknesses of this competitor:

7. What can be learnt from this competitor?

8. Other relevant information regarding this competitor:

Direct Competitor 2: Name

1. Location:

2. Why this business is considered to be a direct competitor:

3. Outline of how the products / services of this competitor are similar or different from what is being offered by this business:

4. Perceived success of this competitor:

5. Strengths of this competitor:

6. Weaknesses of this competitor:

7. What can be learnt from this competitor?

8. Other relevant information regarding this competitor:

Direct Competitor 3: Name

1. Location:

2. Why this business is considered to be a direct competitor:

3. Outline of how the products / services of this competitor are similar or different from what is being offered by this business:

4. Perceived success of this competitor:

5. Strengths of this competitor:

6. Weaknesses of this competitor:

7. What can be learnt from this competitor?

8. Other relevant information regarding this competitor:

3.5 Key Success Factors

Identify the key factors required for success within the industry. It is normal to focus on only 3 - 4 factors. However, if you feel it is appropriate, you can list more factors.

Example:

Key success factors for a hairdresser may include:

- Flexible work hours to cater for working clients (e.g. Late nights, Saturdays).
- Awareness of latest hair fashions and ability to apply these fashions.
- An ability to relate to clients and understand their wants and needs.

Key Factors for Success in the Industry

3.6 Industry Foresight

List your ideas about the future of the industry and identify any resulting potential opportunities and threats. What opportunities do you see developing? Do you think the structure of the industry will change? What sort of work do you see businesses in the industry doing in the future? What new services will be offered? What threats may develop through changes in consumer lifestyles and technological advancements?

Examples:

Industry foresight for the fish and chip industry could include a move towards franchising.

Foresight for the livestock industry could include the development of a collar that would be worn by pregnant stock that would be able to pick up when the animal was giving birth. The farmer would then be able to assist expensive cows in difficult births.

Industry Foresight

4.0 Development and Evaluation of Alternative Strategies

This stage of the business plan includes identifying potential strategies for the business, and then evaluating each strategy. This involves comparing strategies (plans) so that you can choose the best strategy for your business.

There are three components of this Section:

- 4.1 Strategy Development
- 4.2 Strategy Evaluation
- 4.3 Strategy Selection

Note: Depending on who you are preparing your business plan for, you may choose whether you include the Strategy Development and Strategy Evaluation sections in your final business plan. If you are preparing the plan for the CSBM programme, your kaiako needs to see these sections. However, if you are preparing the plan for a bank manager or funding agency, you may choose not to include these sections.

HOWEVER, you should still complete these sections for your own purposes so that you can identify the best strategy for your business (i.e. complete them but not include them in your final plan). An outline of your selected strategy should be listed in your business plan.

4.1 Strategy Development

Strategies should be developed based on the results of Internal and External Analyses. For example, strategies should make use of any sources of competitive advantage and prepare the business for any threats identified.

For example, alternative strategies could be based around:

- Franchising.
- Purchasing an existing business.
- Forming strategic alliances with other businesses (i.e. teaming up with other businesses).
- Developing a new product / service.
- Expanding an existing business.
- Exporting.
- Specialising in one product / service.
- Catering to changing consumer lifestyles, etc.

You must develop at least two different potential strategies for your business to compare with **your 'original' strategy (therefore you will have 3 strategies)**. These are then evaluated in the next stage of the business planning process.

Briefly describe each alternative strategy below:

Strategy 1

Alternative Strategy 2

Alternative Strategy 3

4.2 Evaluation of Alternative Strategies

Each alternative strategy outlined in the previous stage of the business planning process needs to be evaluated.

Use the following questions to help evaluate alternative strategies:

1. *Is the strategy consistent with the vision, mission, goals and culture of the business, as outlined in the Strategic Profile?*
2. *Does the strategy use resources, skills and capabilities to their full potential?*
3. *Will the strategy provide the business with a source of sustainable competitive advantage?*
4. *Does the strategy address weaknesses?*
5. *Does the strategy address threats?*
6. *Does the strategy take advantage of available opportunities?*
7. *Is the strategy feasible? I.e. is it possible? Practical? Reasonable?*

It is a good idea to develop some of the evaluation criteria yourself. For example, you may choose to consider questions such as “Will I enjoy this type of business?”

The table provided can be used for evaluation. It refers to each of the seven questions above, and provides spaces for you to add evaluation criteria. Instead of simply answering ‘Yes’ or ‘No’ to the questions, you should be making notes. For example, for question 2 you might write “This strategy makes use of computer programming skills, but doesn’t make full use of the technological resources of the business”.

In addition you may choose to rate how well each strategy fulfils each of the questions above. For example, for question 6, you may give a rating of 7/10 if the strategy takes advantage of some attractive opportunities, but does not consider others.

Strategy Evaluation

	Strategy 1	Strategy 2	Strategy 3
1. Consistent with Vision etc?			
2. Use Skills etc?			
3. Sustainable Competitive Advantage?			
4. Address Weaknesses?			
5. Address Threats?			
6. Use Opportunities?			
7. Feasible?			
8.			
9.			
10.			

4.3 Strategy Selection

One of the strategies needs to be selected for further development throughout the rest of the business plan. Selection should be based on the evaluation completed in the previous stage of the business plan.

Indicate what strategy you have selected and why you chose this strategy.

Outline of Selected Strategy

5.0 The Legal Plan

The Legal Plan is the fifth section of the business plan template. The requirements for this component of the plan are outlined below:

The components of the Legal Plan are:

- 5.1 Business Structure
- 5.2 Ownership
- 5.3 Insurance
- 5.4 Regulations and Consents relevant to the Business Location
- 5.5 Legislation, Regulations and Authorities
- 5.6 Legal Action Plan

5.1 Business Structure

In the box below, identify what type of structure your business will operate under. For example, you may write:

- Sole Proprietor.
- Partnership.
- Company.
- Or another form, e.g. A Trust.

Type of Business Structure

Now, use the space provided below to outline at least three reasons for choosing this business structure.

For example, if you chose to operate as a company, your reasons for doing so may include:

- *Have a number of business owners, thus making a partnership agreement too complicated.*
- *Some of the owners are only interested in a short term investment (2 – 3 years). Operating under a company structure allows the business to continue when these owners leave the business.*
- *Provides limited liability.*

Reasons for Selecting this Business Structure

Steps to Establishment

Identify specific steps involved in establishing your business using the stated business structure. For example, one step may be to conduct a company name search to find if any other business has already registered under your intended business name.

Steps to Establishment

Documentation

Attach a copy of any documentation required (or identify a website for online documentation) to establish your business structure. If you have already established a business and are operating under a company, you could attach a copy of your Certificate of Incorporation.

5.2 Ownership

In this component of the business plan you need to list the owners, or corporate officers (i.e. partners, directors, trustees), of the business and provide a short profile for each of these people.

Use the box below to list the owners, or corporate officers of the business.

List of Owners / Corporate Officers

One template is provided to complete these profiles. If there is more than one owner / corporate officer, photocopy this outline to ensure that one profile is completed for each owner / corporate officer listed above.

Profiles

Name

Office Held (e.g. Director, Partner, etc.)

Address

Work History

Relevant Qualifications

Future Aspirations / Goals for the Business

Interests

5.3 Insurance

Identify what kinds of insurance your business will need, the insurance provider from which the insurance is most likely to be purchased and the cost of that insurance. Make sure you state whether costs are GST inclusive or GST exclusive. If you are operating your business from home you should check if your business equipment is covered under your current household contents insurance.

Type of Insurance	Provider	Cost (\$)

5.4 Regulations and Consents Relevant to the Business Location

Location

Specify the physical address of the location from which your business will operate in the space below.

Business Location

Next identify if you will be leasing or purchasing your premises, or if you already own your premises etc.

Will you be Leasing / Purchasing your Premises? Do you already own your business premises?

If there are any special regulations or legislation that are relevant to the establishment of the business at the desired location, identify these in the space below. For example, there may be some zoning regulations or noise control limits, or if establishing the business involves renovation and extensions to the premises building consents etc may be required. Make sure you explain how each of these regulations / consents apply and if there are any issues that you will need to address in order to comply with regulations.

Regulations and Legislation Applicable to Establishing the Business at the Intended Business Location

5.5 Legislation, Regulations and Authorities

You now need to identify any legislation and regulations relevant to your business and explain how these apply to your particular business. Also, identify the relevant authorities that need to be contacted to ensure compliance with the legislation / regulations and provide the contact details for these authorities.

For example, if you intend to set up a trucking business and want to transport hazardous substances, you will need to comply with the *Hazardous Substances and New Organisms Act 1996*. The Environmental Risk Management Authority is the relevant authority for this Act.

Legislation / Regulation	How Applicable to the Business	Relevant Authorities	Contact Details

5.6 Legal Action Plan

As the title suggests, this section is the 'action' component of the whole plan. It requires you to identify everything that needs doing in order for you to carry out your legal plan. That is, you will now be identifying such things as objectives, actions required, completion dates, costs and responsibilities.

This is an example of what type of information to include.

Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible
Form Company	Decide company name. Go through the process to get a Certificate of Incorporation.	19 th May 2014	\$60 incl. GST for name reservation & Company Incorporation	Eric
Confirm Premises	Visit lawyer to discuss lease agreement. Negotiate lease with owner of the premises.	20 th July 2014	Quote for lawyer = \$900 incl. GST. Lease expected at \$800 + GST per month.	Cathy

You should regularly refer back to your action plan to ensure you are completing all your required tasks.

Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible

6.0 The Marketing Plan

The marketing plan is a large sub-section of the Business Plan. When writing this component of the business plan you will need to refer back to the Strategic Profile and the Internal and External analyses to ensure consistency. The competition analyses (e.g. Porter's Five Forces and Competitor Profiles) will be particularly helpful in completing this sub-section.

The components of the marketing plan are as follows:

- 6.1 Marketing Goals
- 6.2 Identification of Target Markets
- 6.3 Positioning Strategy
- 6.4 The Marketing Mix
 - 6.4.1 Product Strategy
 - 6.4.2 Promotion Strategy
 - 6.4.3 Pricing Strategy
 - 6.4.4 Place / Distribution Strategy
 - 6.4.5 Services Strategy
- 6.5 The Marketing Action Plan

6.1 Marketing Goals

The first step in the marketing plan is to define your marketing goals.

When setting marketing goals, you will follow the same process illustrated in the goal setting section of the business plan. It is important to remember that the marketing goals must be SMART and consistent with the overall goals of the business, the strategic profile and the analyses previously conducted.

It is likely that your marketing goals will closely resemble at least one of the goals that you identified in the goal setting section of the business plan. In fact, it is possible that your marketing goals will be exactly the same as these goals.

For example, in the goals section of the business plan, the following two examples were given for a carpet cleaning business:

- *To expand to operate in three different townships, with a minimum of 300 customers per annum in each location by 31 December 2015; and*
- *To earn a profit of \$32,000 in the first financial year (ending 31 March 2014).*

Throughout the remainder of this sub-section you will learn that the first of these two goals is a marketing goal.

In order to define your marketing goals (or identify which of your goals previously identified are marketing goals) you need to:

- Identify your marketing strategy (or strategies); and
- Prepare marketing goals for the marketing strategy (or strategies).

6.1.1 Identification of Marketing Strategy

Identifying your marketing strategy is the first step in setting your marketing goals. From the following list, choose which of the four broad strategies you will be following:

- Market Penetration (selling existing products by encouraging customers to use more).
- Market Development (selling existing products to new customers).
- Product Development (selling a new product to existing customers).
- Diversification (developing new products for new markets).

Examples:

Telecom has used a variety of marketing strategies as the basis of their marketing plan. Examples include:

- *Market penetration – Telecom offered free cell-phone trade-ins to entice Vodafone customers to switch to the Telecom cell phone network.*

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- *Market development – through advertising in a variety of different media.*
- *Product development - through continuous technology improvements to their products and services e.g. Broadband internet, call waiting services, updated cell phone technology.*
- *Diversification - through moving into new telecommunication areas such as internet provision.*

The example of a goal for a carpet cleaning business given previously follows the market development strategy. To refresh your memory, this goal was:

- *To expand to operate in three different townships, with a minimum of 300 customers per annum in each location by 31 December 2014.*

Identify which of the four broad strategies you will be using in the box provided below:

Marketing Strategies

6.1.2 Personalising Marketing Goals

In the previous section, you identified the broad area you wanted to base your marketing strategy and goals. Using this answer, it is now time for you to write at least one marketing goal for each strategy identified.

Firstly, revise your goals identified previously in the business plan. Do any of these goals reflect the marketing strategy (or strategies) that you wish to follow? If so, these can be used as your marketing goals. You may alter or refine these goals if you wish. If your goals previously identified do not reflect your intended marketing strategy you will need to define new marketing goals below.

Remember, your marketing goals should be SMART. That is: Specific, Measurable, Attainable, Relevant to the overall vision and mission of the business and include a Timeframe. The example of the goal for the carpet cleaning business (given previously) follows the SMART criteria.

Marketing Goals

6.2 Identification of Target Markets

Identify how many target markets your business will have in the space below:

Number of Target Markets

Describe each of your target market(s) by listing at least four of their characteristics in the boxes provided. Remember your target markets should be large enough to support your business. You may use the questions below to assist you in listing the characteristics of your target markets, however, please note that you may not find it relevant to answer each of the questions below.

- What is the age group of your market?
- Male or female?
- What is the family situation (married, single, have a family)?
- What are their occupations?
- What is their income bracket?
- Where do they live?
- What are their interests or hobbies?
- What products do they currently use?

Example:

You may list characteristics of your target market as:

- *Female;*
- *Age 25 – 40;*
- *Working mothers, with young children, earning \$30, 000 - \$40,000;*
- *Strong interest in individual sports; and*
- *Residing in the Tauranga township.*

Characteristics of the Target Market 1

Characteristics of the Target Market 2

6.3 Positioning Strategy

This step involves creating the image of your product. You need to:

- Identify what image the business will strive to achieve. I.e. How does the business want the public to perceive them and their products?
- Identify the positioning of the business relative to that of competitors. Will the business compete head-to-head with competitors? Will it differentiate, and if so, how?

Remember: the image you create should be appropriate for our target market. For example, if your target market includes 18 – 25 year old solo parents, you may want to create an image of low cost, but value for money, as opposed to creating an image associated with high quality, high price, and being a status symbol.

When positioning your products you can also use a perceptual map to assist you. Perceptual maps were discussed in Module 3.

Detail your product positioning strategy in the boxes provided below:

Positioning Strategy: Desired Image

Positioning Relative to Competitors

6.4 The Marketing Mix

The marketing mix is the heart of your marketing plan. It contains four core components: Product, Promotion, Price and Place, plus a Services Strategy that includes an additional three components: Participants, Process and Physical Evidence.

An overview of what will be covered in each of these components is provided below:

6.4.1 Product

- 6.4.1.1 Description of Products and Services
- 6.4.1.2 Product Notes
- 6.4.1.3 Product Lifecycle
- 6.4.1.4 Packaging
- 6.4.1.5 Labelling
- 6.4.1.6 Branding
- 6.4.1.7 Intellectual Property Rights

6.4.2 Promotion

- 6.4.2.1 The Impact of the Stage in the Product Lifecycle
- 6.4.2.2 Types of Promotion
 - Advertising
 - Public Relations
 - Sales Promotion
 - Personal Selling

6.4.3 Price

- 6.4.3.1 Pricing Strategy
- 6.4.3.2 Intended Prices

6.4.4 Place

- 6.4.4.1 Location of Products and Services
- 6.4.4.2 Layout
- 6.4.4.3 Distribution System
- 6.4.4.4 Exporting & Internet Sales

6.4.5 Services Marketing

- 6.4.5.1 Participants
- 6.4.5.2 Process
- 6.4.5.3 Physical Evidence

6.4.1 Product

The product mix offered by different businesses varies considerably. For some businesses it is likely that there may be only one product line and one or two products. For example, dairy farms may only have milk and calves in the product mix. Compare this to a business such as a supermarket, in which there are numerous product lines and hundreds (or thousands) of products.

It is for this reason that you should adapt the template below to suit your business. For example, if you only have three products, you may feel it is appropriate to give specific details regarding the expected profitability of each of these products.

6.4.1.1 Description of Products and Services

The product mix can be described as a list of all the different product lines and items offered (or going to be offered) by your business. It is helpful at this stage to look over your competitor profiles you developed earlier in the business plan. Consider your competitor's strengths and weaknesses in terms of what they offer. What opportunities are there for you?

Make sure that, within your product description, you identify your key product(s) and service(s), and describe the key features and benefits of these products and services in at least two sentences. Key products may include those products that are unique to the business and are expected to attract customers to the business, or 'staple' or 'core' products that are the main source of revenues for the business.

Before including a product item or product line into your product mix, consider the following factors:

- The **availability** of the products;
- The expected **profitability** of the products;
- The **cost** of buying the products into stock (including any transportation costs);
- Expected **sales** of the product;
- Number of **customers**. E.g. what proportion of your target market do you expect will purchase the product? 10%? 25%?)
- Number of **competitors** who also offer that particular product; and
- Your **strengths** and **experience** in providing the product.

You will have the opportunity to comment on the above factors after you have specified your product lines and product items.

Provide the description of products and services below.

Write about the products / services that your business will sell. Depending on what type of business you have, you may choose to do this by simply writing about your product mix in **Box 1**, or by listing your product lines and items in the **Box 2**. In **Box 3** identify the key product(s) of the business and any key features and benefits of each key product.

If you choose to simply write about your product mix in **Box 1**, it may help to identify whether your products include physical goods (e.g. tableware, livestock, etc.) or services (e.g. motels, childcare, etc). Some products are actually a combination of physical goods and services. For example, a plumbing business may sell shower and water supply systems (physical products) as well as provide plumbing services.

If the business is already in operation make sure you **identify which products are currently offered, versus those that will be new to the business**. If the business is not yet in operation, distinguish between those products that will be offered immediately upon opening of the business from those that are planned for the future. If there are any new / future products the **timeframes** for introducing these products must be specified.

In the **Box 2**, list your product lines in the left hand column and the product items within each product line in the right hand column. If you (intend to) have a large number of product items, only give a general description of the range of items you (intend to) have, or specify any product items of particular significance to your business.

Box 1: Description of Product Mix

Box 2: List Product Lines and Items

Product Line	Product Items	Current or New? Timeframes for Introduction

Box 3: Description of Key Product(s) features and benefits.

6.4.1.2 Product Notes

Make comments regarding your key products, a range of products, or your entire product mix using the box below.

Try to obtain accurate information for this purpose. For example, try to obtain quotes regarding the cost of buying products into inventory. However, if you intend to have a large number of products which have different cost structures (e.g. a dairy or an electronics store) you do not need to provide specific details.

Notes regarding the Product Mix

- 1. Availability of the Product(s)**

- 2. Cost of buying the Product(s) into Stock (including Transportation Costs)**

- 3. Expected Profitability of the Product(s)**

- 4. Expected Product Sales**

- 5. Number of Customers**

- 6. Strengths and Experience in Providing the Product(s)**

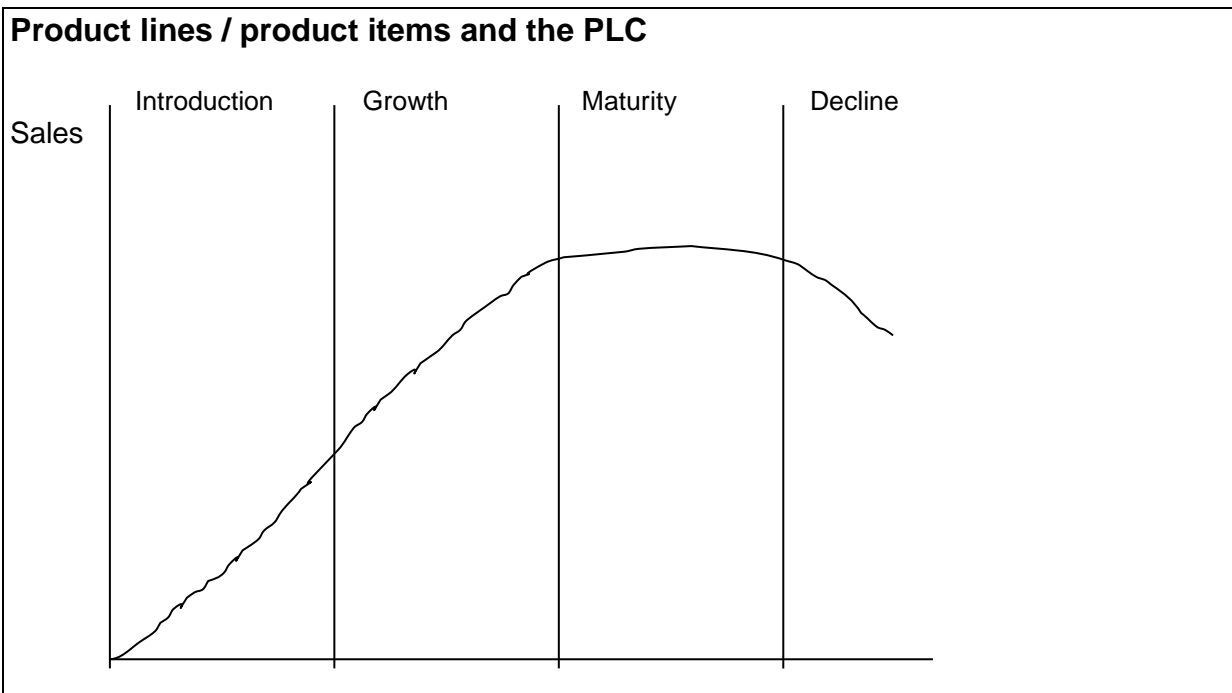
6.4.1.3 The Product Life Cycle

It is now time to see where your product lines (or product items) are situated on the Product Life Cycle (PLC). It is important to understand the PLC as it can be extremely helpful in deciding the rest of your marketing mix. For example, it may help determine what price to set and what promotions to use.

For example, think back to the early 1980s when microwaves first came out. They were at the introduction stage of the PLC. There were no competing products on the market at that time; the microwave was a new and unique product. Accordingly, these things were reflected in the marketing mix. The product was basic, the price was high (close to \$1000) and the promotion was aimed at informing and encouraging consumers to use this new technology.

Discuss where your product lines / product items are situated on the PLC.

Note: The graph provided below may assist you in doing this task.



Why are the product lines / product items located here on the PLC?

6.4.1.4 Packaging

State whether you will be using any packaging for your business's products:

Will product packaging be used?

If you are going to use packaging you will need to decide what type(s) of packaging will be suitable. In deciding what packaging the product should have, consider the need it is aiming to satisfy. The five functions of packaging are to:

- Protect the product.
- Store the product and allow it to be handled.
- Facilitate use of the product.
- Create an image for the product.
- Promote and enhance the product.

Therefore, when filling in the box below, use these functions to guide you in describing your packaging. Note: if your product is a service, you will not need to complete this sub-section.

Describe your packaging:

Packaging Materials

Appearance of Packaging

Main Purpose of the Packaging

6.4.1.5 Labelling

It is likely that your product will need labelling of some form. State whether you will be using any labelling for your business's products:

Will product labelling be used?

If you are using labelling, your label could include some (or all) of the following information:

- Instructions
- Directions for use
- Instructions for maintaining and caring for the product
- Warnings
- Disclaimer
- Manufacturer contact details and information
- Date and Time product made
- Product Code
- Best before date
- Product Name
- Ingredients

Remember, your labelling can also be used to promote your product!

Description of Product Labels

6.4.1.6 Branding

Consider whether or not you are going to use a brand for your product(s) / service. Remember, a brand can consist of:

- The Brand Name.
- A Trade Mark.
- A Slogan.
- A Jingle (a tune commonly associated with it).

Often, the brand name of a product is also the trademark. For example, Microsoft, Marmite and Wattie's are all trademarks.

However, a trademark does not have to be a name or word. For example, think about the McDonald's golden arches and the Shell logo.

If you are considering using a jingle, the slogan may be used in the jingle. For example, consider The Warehouse slogan "*Where everyone gets a bargain*", which is also used as a part of their jingle: "*The Warehouse, the Warehouse, Where everyone gets a bargain*".

State whether you will be applying branding to your products:

Will branding be used?

Detail any branding you intend to use for your product below. Make sure you specifically state what brand names will be used:

Branding Details

6.4.2 Promotion

Promotion is the means by which you communicate with, and provide information to, the market. When assessing what promotional strategy to use, consider the following factors:

- The image you want to establish for your product;
- Your market area;
- What you promote;
- Where you promote;
- When you promote;
- How much you want to spend; and
- The stage in the product lifecycle.

6.4.2.1 The Impact of the Stage in the Product Life Cycle

In the previous sub-section you identified the stage(s) of the product life cycle that your product(s) / product line(s) would be. In the box below, explain how this stage in the product life cycle will affect your promotional strategy.

For example, if you identified that your product was in the Introductory stage of the product life cycle, your promotion may be based around creating awareness of the product.

Impact of Stage of the Product Life Cycle on the Promotion of Products

6.4.2.2 Types of Promotion

This section will require you to specify what form(s) of promotion you will be undertaking. Remember, weigh the pros and cons of each method, before you decide. Also, as has been repeated often throughout this programme, make sure that the decision you make is consistent with your overall business and marketing strategy. Try to use several forms of promotion – remember: advertising is only one possibility for promoting your business.

There are four broad types of promotion you may use. These are as follows:

- Advertising;
- Public Relations;
- Sales Promotions; and
- Personal Selling.

Broad Types of Promotional Strategy to be Used

Next, make comments about each type of promotion strategy to be used by responding to the questions listed below. Note: these questions do not apply to the Personal Selling form of promotion.

1. What **type** of advertising / public relations / sales promotions will be conducted?
For example, types of advertising may include newspaper advertising and flyers. Examples of public relations include feature articles in the local newspaper, sponsorship of local sports teams and radio interviews. Examples of sales promotions may include in-store displays and free samples etc.
2. Discuss the **timing of the promotion**. I.e. When will the promotion take place and how often?
3. How much will it **cost**?
4. **Where** will the promotion take place? What location(s)? (E.g. In store? In town? What parts of town?)
5. What will your **promotional message** be? *For example, the promotional message may be based around informing consumers of the benefits of your product / service, or based around informing consumers of special deals, sales etc.*
6. Will you need any **assistance** in making this message? *For example, if you want to advertise on the radio, will you need someone to write the ad, voice it, produce it and play it?*

Advertising

Types of Advertising to be carried out

Timing of Advertising

Advertising Costs

Location of Advertising

Promotional Message

Assistance Required

Public Relations

Type of Public Relations to be carried out

Timing of Public Relations

Costs

Location of Public Relations

Promotional Message

Assistance Required

Sales Promotions

Type of Sales Promotions to be carried out

Timing of Sales Promotions

Costs

Location of Sales Promotions

Promotional Message

Assistance Required

Personal Selling

Use the space provided to describe how personal selling will be carried out. What steps will you follow to ensure you are successful in your efforts? Identify at least three personal selling techniques that will be used by the business.

Description of Personal Selling Techniques

6.4.3 Price

In setting the 'price' of your product, again make sure that the decision you make is consistent with all your other business plan strategies. This means you will have to refer back to such things as your goals, your positioning strategy, your product life cycle and your target market's characteristics. Additionally (and most importantly), make sure that your price is set at an amount that adequately covers your costs and gives you a decent return!

6.4.3.1 Pricing Strategy

In the box below, explain your pricing strategy. For example, will you be using discounts to entice customers? Will you be using Recommended Retail Pricing? What about package pricing?

Pricing Strategy

6.4.3.2 Intended Prices

Next, try to calculate the intended prices of your products. Place these prices in the space below and give some justification as to how these prices have been determined. If you have numerous products you may choose to determine an average (or median) product price. However, remember, the average price must cover all costs.

If your pricing is determined on a unit basis (e.g. price per person, price per kg etc) specify this unit price. If your products and services involve a high amount of labour, work out your charge out rate.

Intended Prices and Explanation of how Prices are Determined

Intended Prices and Explanation of how Prices are Determined (continued)

Note: You may want to alter these prices once you have completed the Statement of Financial Performance component of the Finance Plan. For example, you may estimate that your labour charge out rate is \$40 per hour. However, after completing the Statement of Financial Performance you may decide that you need to charge approximately \$45 per hour to cover all expenses.

6.4.4 Place

Place can be described as the 'where' of your marketing mix such as where will your product be produced and where it will be sold? Therefore, factors to consider in this section include:

- Locations where the products and services will be available;
- The layout of the premises;
- The distribution system used; and
- Exporting and internet sales.

6.4.4.1 Location of Products and Services

Identify the actual locations where the business's products and services will be available.

- Will they only be available from the business premises?
- Will retail stores be used? If so, in what locations?
- Will the business go to the customer? If so, how far will the business travel for any one customer? What area will the business service?
- Will products be available by phone / internet / mail order to other regions? If so, what regions?

Location of Products and Services

6.4.4.2 Layout of Retail Premises

Describe the layout of your retail premises and store displays. You may wish to draw a diagram of your retail layout and attach this to your business plan. Note: If you are not involved in retailing you do not need to complete this sub-section. If you are a manufacturer or are in the service industry you will have the opportunity to describe the layout of your operations in the Human Resources Plan.

Layout of Retail Outlet / Store Displays

6.4.4.3 Distribution System

Identify the distribution system you will use. How many stages will it have? Who will be involved? For example, you may have a two-stage system where products are sent to retailers and then sold to consumers.

Description of Distribution Channels

If you have more than one stage in your distribution system you will also need to specify your market coverage strategy. Choose either:

- Intensive (selling through as many channels as possible);
- Selective (sold through chosen outlets); or,
- Exclusive (sold through outlets that only you, the manufacturer, authorise?)

If you choose to use a selective or exclusive strategy, outline what basis will be used to select whether or not you choose a retailer etc.

Market Coverage Strategy

Next, if relevant, outline how your goods will be transported from you to the customer (or to the next stage in the distribution system). Who will transport them, and what costs are involved?

Transportation

6.4.4.4 Exporting and Internet Sales

Exporting

State whether you are intending to export any products or services in the space below:

Intentions to Export

If you are going to export, complete the boxes below:

Name of Countries to Export to

Planned Time (date, month or year) to Start Exporting

Products and Services to be Exported

Outline of Steps to Begin Exporting Process

Internet Sales

If you are going to use the Internet as a distribution channel, answer the following questions:

1. Will all of your products / services be available via the Internet?
2. Does a website that can be used to sell your products currently exist? If so, which website? If a website does not exist, who will develop this?
3. What costs are involved in developing and maintaining the website?
4. What security issues may arise? How will you deal with these issues?

Products / Services available via the Internet

Website to be Used

Costs Involved

Security Issues

6.4.5 Services Marketing

This final component of the marketing mix involves an additional three P's. These are:

- 6.4.5.1 Participants;
- 6.4.5.2 Process; and
- 6.4.5.3 Physical Evidence.

6.4.5.1 Participants

'Participants' is the 'people' aspect of your services marketing mix. It involves explaining such processes as customer interaction, service presentation and customer behaviour.

For example, how do you answer your business' incoming calls? Are you, or your staff, helpful, courteous and friendly?

In putting together this component of the marketing mix you need to identify:

- How would you like your customers to be treated? What attitude will all members of the business have towards customers?
- How are you going to motivate your employees to treat your customers as you would like them to be treated?
- In what ways may some customers negatively influence other customers' perceptions of your business? What strategies will you put in place to avoid this from happening?

The following subsections can be used to address these issues.

Attitude towards Customers

In the box below, outline how you would like your customers to be treated. For example, you may write that you want staff members to listen carefully to customer queries, to never argue with customers and to respect that customers may need time to evaluate your service before agreeing to purchase it.

Attitude towards Customers

Motivation of Employees

In the box below, outline how you are going to motivate your employees to treat your customers as you would like them to. What will you do to make sure you and your staff members make a good impression on your clients?

For example, you may choose to involve your staff in management discussions and decision making. This may make them feel like the business is their business too, thus motivating them to make a good impression on customers and treat customers with respect.

Alternatively, you may use incentives such as increased pay or 'employee of the month incentives'. You may find that paying your employees a higher wage rate may lead to increased profits. This is because your employees will be happier in their work and will not appear disgruntled to customers.

Motivation of Employees to Treat Customers Appropriately

Influence of other Customers

Use the box below to outline what you will do to ensure some customers do not negatively influence other customers' perceptions of your business. Firstly, state how some customers may negatively influence other customers' perceptions of the business, and then outline what policies you will have in place, or how you will prepare to avoid this from happening.

Examples

If you have a restaurant and bar business, you may want to partition your premises in a way that will separate those clients who are at the business primarily to drink at the bar, from those customers who are dining in the restaurant, without restricting the restaurant customers' access to the bar. This will reduce problems associated with drunk, rowdy clients bothering other customers at your restaurant.

If you own a computer service business, you may have separate staff members and counters to deal with time-consuming queries. This will reduce the waiting time for those customers who have relatively minor queries.

Policies and Preparation to ensure Customers do not negatively Influence other Customers' Perceptions of the Business

6.4.5.2 Process

The 'Process' component of the services marketing mix involves putting in place 'behind the scenes' processes that will improve the quality of the service.

For example, if you run a motel, do you have an adequate booking system that ensures rooms aren't double booked and that customers receive the type of room they asked for?

You can use the following table to identify possible processing glitches that can occur in your service and identify processes as solutions to minimise the risk of these glitches taking place.

Processing 'Glitches'	Process Solutions

Processing 'Glitches'	Process Solutions

6.4.5.3 Physical Evidence

In this section, you will need to identify the physical aspects of your service, that is, the 'stuff' that customers can see, the 'stuff' that can influence customers perceptions of the quality of your service. Thus, you need to:

- Identify every part of your business that a customer comes in contact with (except for the physical products).
- Then, ensure the impression that potential customers gain from this physical evidence is consistent with the image you want to portray.

First identify every part of your business that a customer comes in contact with in the space below:

Parts of the Business Customers come in Contact with

Next, identify how the business will ensure customers gain a favourable impression of the business based on physical evidence. To help you out, you can use the following boxes as a guide to what to include. Describe your:

Office layout

Background music

Storage

Dress Code and Personal Grooming

Vehicles (cleanliness and general appearance)

Lighting

The use of Pot Plants and Art Work

Colour Scheme

In the space below, describe any other physical evidence. For example: The quality of promotional materials such as business cards and brochures used.

Other Factors

6.5 The Marketing Action Plan

The Marketing Action Plan is very similar to the Legal Action Plan. You will need to identify everything that needs doing in order for you to carry out your marketing strategy.

This is an example of what type of information to include.

Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible
Complete product modifications	Finalise product design. Test design.	19 th June 2013	\$420 + GST (estimate)	Ana
Patent new product	Find a lawyer specialising in intellectual property to obtain advice. Go through patenting process with the Intellectual Property Office	20 th December 2013	Budget of \$8500 + GST .	Ana
Select intermediaries to distribute product	List all suitable intermediaries. Contact intermediaries to discuss terms. Select intermediary.	20 th June 2013	\$40 petrol + GST.	Ana
Conduct Newspaper Advertising	Get quotes from 3 newspapers. Write advertisement.	5 th July 2013	\$80 + GST (estimate)	John

You should regularly refer back to your action plan to ensure you are completing all your required tasks and that you are on target to achieve your marketing goals. Make sure you include all costs into your financial plan.

Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible

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Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible

7.0 The Human Resources and Operations Plan

The Human Resources and Operations Plan is the next section of the business plan template. This plan involves identification of staffing requirements, organisational structure and training needs. Completion of the plan requires consideration as to the operations of your business. It is for this reason that the plan includes operation components in addition to human resource requirements.

The components of the Human Resources and Operations Plan are:

- 7.1 Current Personnel

- 7.2 Operations and Personnel Requirements
 - 7.2.1 Opening / Operational Hours
 - 7.2.2 Forecasted Production and Sales
 - 7.2.3 Operational Staffing Requirements
 - 7.2.4 Operational Machinery, Equipment and Fittings
 - 7.2.5 Office Staffing Requirements
 - 7.2.6 Office Equipment, Furniture & Fittings
 - 7.2.7 Production and Office Layout
 - 7.2.8 Staff Roster

- 7.3 Organisational Structure

- 7.4 Job Descriptions

- 7.5 Person Specifications

- 7.6 Induction and Training

- 7.7 The Human Resources and Operations Action Plan

7.1 Current Personnel

Throughout the Human Resources component of the Business Plan you will be determining your staff requirements. In order to decide if more staff is required, you first need to have a good understanding of current staff skills, qualifications and responsibilities.

Use the table provided below to summarise this information. Include yourself and any partners / directors in this table. If your business is not yet in operation, only complete this table for yourself, and any known future partners / directors / staff.

Staff Member	Current Position	Current Salary / Wage	Length of Service	Qualifications and Skills	Current Training	Current Responsibilities
<i>Example for a Service Station: Employee 1</i>	<i>Forecourt Attendant</i>	<i>\$14 per hour</i>	<i>6 months</i>	<i>Qualified to fill gas bottles</i>	<i>Basic banking responsibilities – trained by owner</i>	<i>Serving customers, Cleaning shop and forecourt.</i>

7.2 Operations and Personnel Requirements

There are eight parts to this section of the plan. Each of the eight components is outlined in the following subsections.

7.2.1 Opening / Operational Hours

In order to identify what personnel are required you first need to know what hours your business will be operating.

Consider the following questions:

- If you have a retail outlet, what times will the shop be open? What times will staff be expected to work?
- If you are manufacturing a product, what times will production take place?
- If you are a wholesaler, what times do you expect staff to work?
- If you offer a service, at what times will it be available to customers?
- Will you be on call? I.e. will you be available for work at all times, depending on customer call outs?

Use the tables below to indicate your operational and opening hours. ***If your operational hours are the same as your opening hours you may choose to only complete one table.***

Opening Hours

	Open	Close
Monday		
Tuesday		
Wednesday		
Thursday		
Friday		
Saturday		
Sunday		

Operational Hours

	Start	Finish
Monday		
Tuesday		
Wednesday		
Thursday		
Friday		
Saturday		
Sunday		

Use the box below to make any additional notes regarding your opening and operational hours. For example, if you plan to have flexible hours depending on product / service demand you should outline this below. Alternatively, if operational and opening hours will change throughout the year depending on the season, etc. note this below.

Comments regarding Operational and Opening Hours

7.2.2 Forecasted Production and Sales

Answer the following questions:

1. How many units do you intend to produce per week or per month over the next year (or the first year of business)? Note that this question is only applicable to those businesses that are actually producing goods or services. It does not apply, for example, to retail businesses.
2. What variances in production levels are expected to occur throughout the year? For example, does production tend to only occur in certain months? If so, which months?

Write your answers to both of the above questions in the box below:

Estimated Number of Units Produced per Week (or per Month)

3. What level of sales do you expect to make per week or per month? Note that, for most businesses, the answer to this question will be the same as the answer to the previous question (level of production). However, in some circumstances they may differ. For example, if a business produces goods to sell at special events, it is possible that, whilst production levels may be regular every week, sales may only occur monthly, bi-monthly (or even annually!). The level of sales can be stated in terms of the quantity of items sold, or the dollar value (\$) of sales.
4. What variances in sales levels are expected to occur throughout the year? For example, are sales expected to be higher in November and December? If so, by how much?

Write your answers to both of the above questions in the box below:

Estimated Sales per Week (or per Month)

7.2.3 Operational Staffing Requirements

Answer the following questions:

1. In total, how many workers are required to produce the forecasted production levels and to support the forecasted sales levels previously identified? Include existing staff, owners and corporate officers and new (yet to be employed or contracted) staff in your response. Do not include office / administration staff.

Total Number of Workers Required to meet Production and Sales Levels

2. How many new employees will you need to meet production and sales levels? Will these be full-time, part-time or casual employees?

Look at the table of Current Personnel that you completed at the beginning of the human resources plan and your answer to question (1) above to help you answer this question.

For example, if you identified in the box above that you need 3 full-time workers and 1 part-time worker, yet in the table of Current Personnel you only have 2 full-time workers, you should note in the box below, that you need to recruit one full-time worker and one part-time worker.

Number of Additional Staff Required (Full-Time, Part-Time & Casual)

3. Do you intend to use independent contractors to assist in the production / provision of products and services? If so, provide details about what specific parts of production or provision will be contracted out.

Use of Independent Contractors in the Production and Provision of Products and Services

7.2.4 Operational Machinery, Equipment and Fittings

What machinery, equipment and fittings required to produce the forecasted quantity of goods and to provide the intended number of sales? Answer this question by completing the tables below:

Items already owned by the Business (or to be contributed by Owner)

Items	Quantity
<u>Example</u> Product Stands (2m wide x 1m high)	4

Items Already Leased

Item	Supplier	Cost (\$)
<u>Example:</u> 2003 Nissan Maxima Car	- LeasePro	\$321+GST per month

Items to be Purchased

Plan for a minimum of one year. Three year planning is preferred.

Item	Quantity	Suppliers	Estimated Cost (\$)
<i>Example:</i> Wool press	1	- Sanderson's Shearing Supplies. - H.K. Shearing Warehouse.	\$3000

Items to be Leased

Plan for a minimum of one year. Three year planning is preferred.

Item	Supplier	Estimated Cost (\$)

7.2.5 Office Staffing Requirements

Answer the following questions:

1. In total, how many workers are required to assist in the office / administration of the business?

Total Number of Office / Administration Workers Required

2. How many new employees will you need to assist in the office with the administration of the business? Will these be full-time, part-time or casual employees?

Number of Additional Office Staff Required (Full-Time, Part-Time & Casual)

3. Do you intend to use independent contractors to assist in the office / administration of the business? If so, provide details about what specific tasks will be contracted out.

Use of Independent Contractors in the Office / Administration of the Business

7.2.6 Office Equipment, Furniture and Fittings

Answer each of the questions below by completing the following tables.

1. What office services / computer systems and software do you plan to use in your business? For example, you may want to purchase the MYOB accounting software, use Windows XP on your computer, or use a computer support service.
2. What communication systems and equipment do you plan to use in your business? For example you may include a phone (land line), a mobile phone, a fax machine, a PA system, Internet, a bulletin board and an 0800 number for the business.
3. What office furniture, equipment and fittings do you require in your business? For example, you may need a desk, chair, a white board, computer, printer and filing cabinet?

Make sure you list each item of equipment, etc. in the correct table, depending on whether it is already owned by the business, already leased, to be purchased or to be leased.

Items already owned by the Business (or to be contributed by Owner)

Items	Quantity
<u>Example</u> Office Desks	4

Items to be Purchased

Plan for a minimum of one year. Three year planning is preferred.

Item	Quantity	Suppliers	Estimated Cost (\$)
<i>Example:</i> <i>Cell phones</i>	2	- <i>Peter's Electronics</i>	<i>\$350 + GST per phone</i>

Items Already Leased

Item	Supplier	Cost
<i>Example:</i> <i>Laptop</i>	- <i>Lakeside Computing Supplies</i>	<i>\$30 per month</i>

Items to be Leased

Plan for a minimum of one year. Three year planning is preferred.

Item	Supplier	Estimated Cost (\$)

7.2.7 Plan of Production and Office Layout

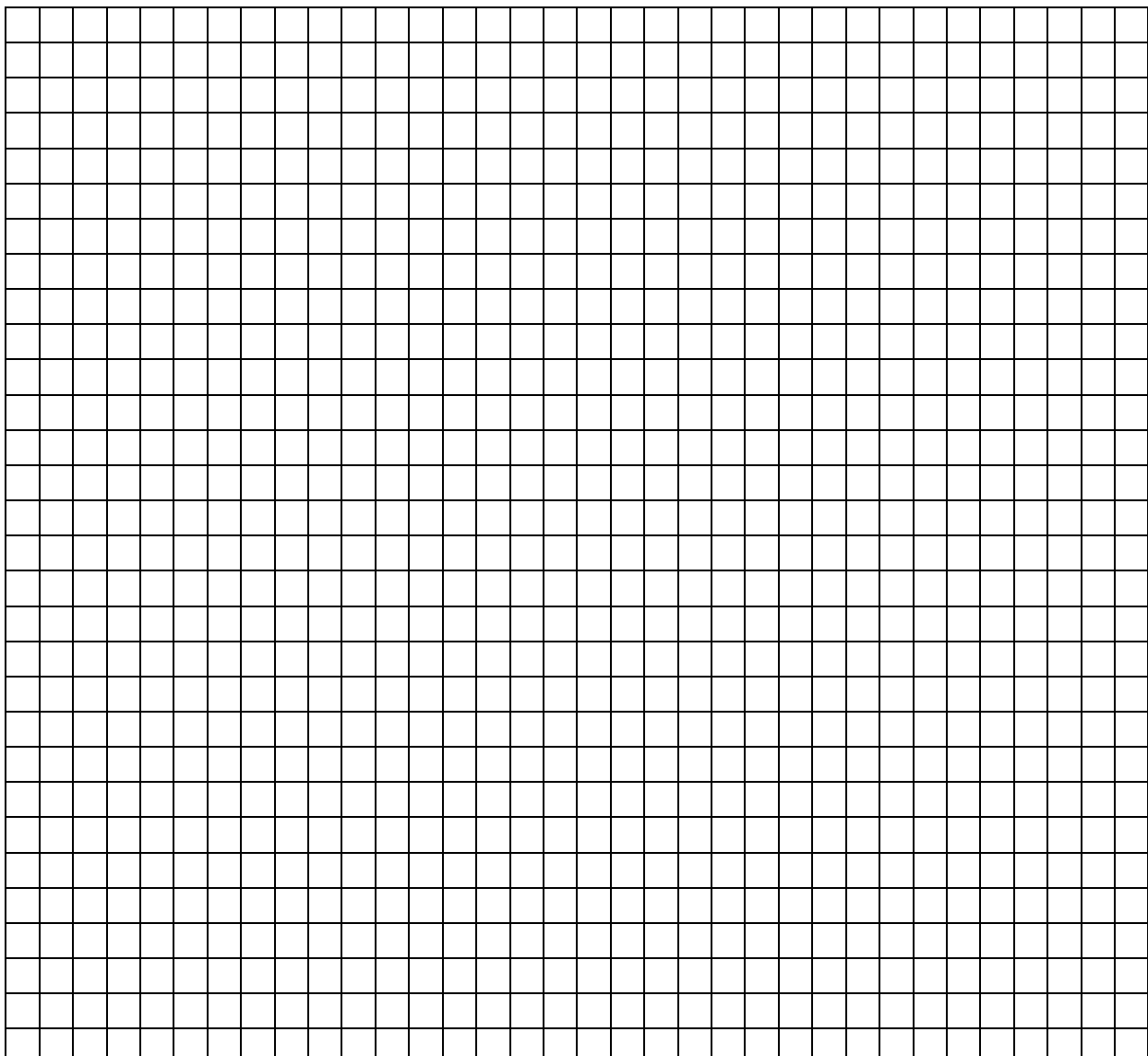
Prepare a Layout Grid of your Production Area

Prepare a layout grid of your production area. This may not be applicable to some businesses. For example, if your business is completely office-based, it is more appropriate to only complete the grid on the following page.

Make sure you show where major pieces of machinery and equipment identified previously will be placed. Also show where exits are. Remember to leave an appropriate amount of space for storage, access to exits and for work areas.

You should also try to position machines and work areas in a way that will support the flow of production. For example, if your business is a takeaway store, it is a good idea to position your workbench for preparing burgers alongside the burger grill.

Layout Grid for Production Area



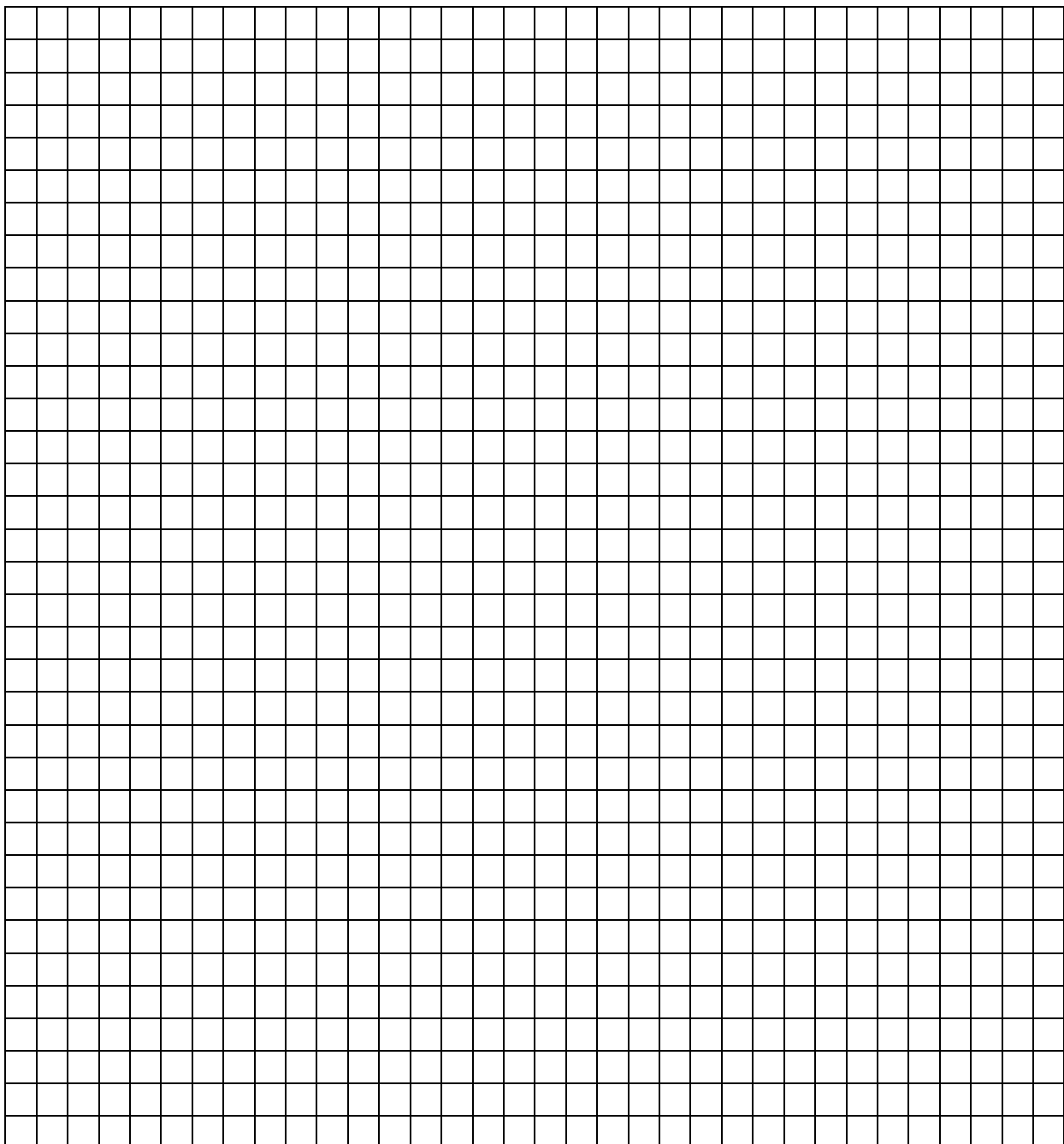
Prepare a Layout Grid of your Office Area

All businesses involve office and administrative functions. Even if your office is based in your house, you will need to plan your office area.

Use the grid below to plan your office area, showing the positioning of all large items of furniture and equipment that were previously identified. Remember to also show exits on your diagram.

If your office and operations areas are located close together you may choose to only draw one layout plan showing both areas.

Layout Grid for Office Area



7.2.8 Employee Roster

Instructions

- List your opening / operational hours in the left hand side column (must be consistent with hours previously stated).
- In the grid, indicate who will work at each time.
- Make sure you include all current personnel and additional staff identified throughout the plan.
- In the box provided below the table, make any additional notes that are required. For example, if your business requires a staff member to be on call during a night you can use the box below to make notes regarding who will be on call at various times.

An example of a roster is provided below:

Hours	Mon	Tues	Wed	Thurs	Fri	Sat	Sun
9am -	John	John	Steve	Steve	Steve	Maree & Employee 2	Maree & Employee 2
10am -	↓	↓	↓	↓	↓	↓	↓
11am -	↓	↓	↓	↓	↓	↓	↓
12pm-	John + Employee 1	John + Employee 1	Steve + Employee 1	Steve + Employee 1	Steve + Employee 1	↓	↓
1pm -	Employee 1	Employee 1	Employee 1	Employee 1	Employee 1	Shop Closed	Shop Closed
2pm -	John	John	Steve	Steve	Steve		
3pm -	↓	↓	↓	↓	↓		
4pm -	↓	↓	Steve & Maree	Steve & Maree	Steve & Maree		
5pm – 6pm	↓	↓	↓	↓	↓		

Now, complete the table below for your business

Hours ↓	Mon	Tues	Wed	Thurs	Fri	Sat	Sun

Additional Notes regarding Staff Roster

7.3 Organisational Structure

Draw an organisational structure chart that shows the ***ideal long term structure*** of the business. This should include:

- All current personnel;
- All additional personnel that will need to be employed, as specified in earlier parts of the plan; and
- Any independent contractors that will be used, as specified in earlier parts of the plan.

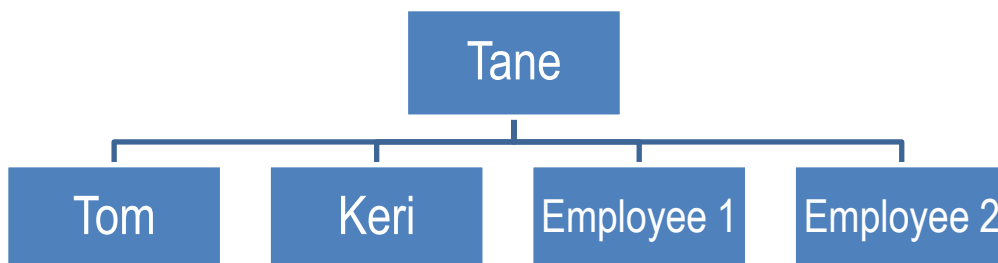
Note that, for many businesses it may be a number of years until the business grows to such a size that a person is employed for each position shown in this structure. Therefore, for those positions that there is not yet a separate person already employed (or planned to be employed within the first year), the name of the person(s) that will be fulfilling this role in the short term should be identified. This means that, for many businesses, the name of the owner will be shown in numerous positions.

For those businesses that do not intend to ever grow to a stage where more than one person is involved (i.e. no employees or independent contractors involved), a chart should be drawn that shows the different areas of the business (e.g. marketing, administration, production and operations, finance, sales and customer service, etc), and the name of the owner / director should be placed in each box.

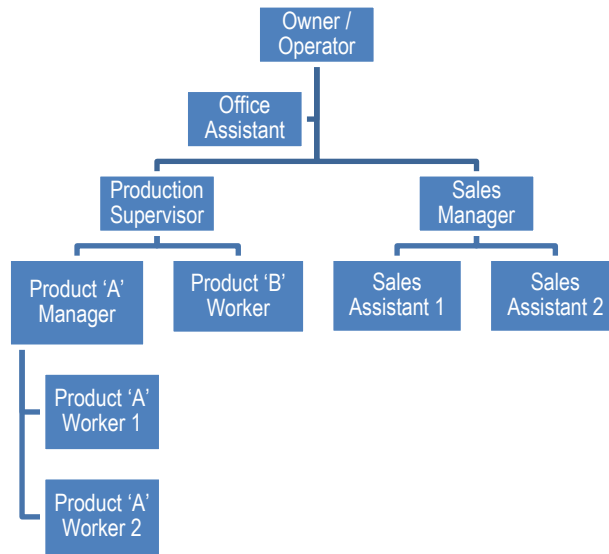
Remember that your organisational structure should be consistent with the organisational culture that was written for the Strategic Profile component of the Business Plan. For example, if you wanted to create a team-like atmosphere among employees you may prefer a relatively flat structure.

Two examples of organisational structures are given below. The first example is relatively flat (i.e. fewer levels of management), whereas the second example is relatively hierarchical (i.e. several levels of management).

Examples:



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Organisational Chart

7.4 Job Descriptions

Write job descriptions and for all staff and corporate officers (i.e. partners, directors, etc). Remember to include yourself and any current staff.

An outline of information to be included in each job description is provided on the following page. Make as many photocopies of this outline as are needed in order to complete one for each staff member and corporate officer (remember to include one for yourself). These should be planned job descriptions, and may therefore alter from current job descriptions.

Be very specific when you identify the main responsibilities and tasks of each position. Identify tasks that relate to:

- Operations.
- Administration.
- Finance.
- Marketing.
- Sales and Customer Service.
- Human Resources (if applicable).
- Overall Planning and Business Development.

7.5 Person Specifications

A person specification is a profile of the person that is needed to fulfil each job position. It outlines any competencies, qualifications and experience required to carry out the responsibilities outlined in the job description. It also details any health requirements and special conditions (e.g. Transport requirements) that a job applicant would need to fulfil.

If you are completing a person specification for an existing employee, including yourself, make sure you remain objective (i.e. do not leave out a particular skill just because you don't have that skill, instead write it down). These person specifications will help you to identify any training needs.

On the other hand, if you are completing a person specification for a future employee, be realistic and practical. For example, it is not likely that your future Production Worker must have a Master of Engineering degree.

An outline of the person specification is provided after the job description outline. Make as many photocopies of this outline as are needed in order to complete one for each staff member and corporate officer.

Job Description

Title / Position

Purpose

Location

Number Required

Main Responsibilities and Tasks

Conditions of Employment

Salary & other benefits

Hours of work

Overtime Requirements

Other conditions

Physical and Social Environment

Advancement Opportunities

Person Specification

Job Title / Position

Competencies Required

Knowledge

Skills

Attitude

Personal Attributes

Specific Qualifications

Previous Experience

Health Requirements

Special conditions (travel, unsocial hours etc)

7.6 Induction and Training

In order to maximise your businesses productivity, it is important to regularly assess the training needs of you, your employees and any other business partners / directors your business has / will have.

The Induction Process

If you are planning to employ new workers, you need to plan their induction process. An induction process involves introducing a new employee to the workplace and to their job responsibilities, as well as providing any training required.

Use the box below to describe the induction process you will use for your new employees. Make sure you plan at least four steps / stages in the induction process.

Description of Induction Process

Planned Training and Professional Development

Next, use the table on the following page to identify any training / professional development needed by each member of the business. You will need to investigate who is going to provide this training, when, and how much it will cost.

The job descriptions and person specifications completed previously should help you complete this table. Remember, a number of activities / factors can be considered as 'training'. For example, you may consider you need training / professional development in the following areas:

- Confidence in public speaking.
- Basic typing skills.
- Using the Internet.
- Te Reo Māori.
- Tax requirements.
- Developing business networks, etc.

Planned Training and Professional Development
--

<i>Staff Member</i>	<i>Training Needs Identified</i>	<i>Dates Planned</i>	<i>Training Provider</i>	<i>Budget</i>
			TOTAL \$	

7.7 The Human Resources and Operations Action Plan

The Human Resources and Operations Action plan requires you to identify everything that needs doing in order for you to carry out the Human Resources and Operations component of the business plan.

This is an example of what type of information to include. Make sure all costs are consistent with costs previously identified and that you specify if costs are GST inclusive or exclusive.

Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible
Set up workshop	Paint walls; Get quotes for machinery; Build work benches; Purchase and install machinery.	28th November 2013	Paint & workbenches: \$340 (incl. GST). Total cost for machinery = \$1430 (incl. GST) (as detailed previously)	Pita
Employ part-time assistant	Finalise job description; Prepare and print job advertisement; Recruitment; Write employment contract.	16 th January 2014	Job Advertisement: \$115 (incl. GST)	Anaru
Train all staff in the use of Excel spreadsheets	Investigate costs of getting an IT trainer to come to the business for half a day; Select trainer.	9 th February 2014	Maximum budget of \$250 incl. GST (as previously identified in the Training section of this plan).	Anaru

Use the table on the following page to prepare your human resources / operations action plan. Remember to regularly refer back to your action plan to ensure you are completing all of the required tasks, and make sure all costs are included in your financial plan.

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Objective	Actions Required	Date Completed by	Cost (\$)	Person(s) Responsible

8.0 The Finance Plan

The Finance Plan is the final section of the business plan template.

The components of the Financial Plan are:

8.1 Statement of Financial Performance Forecast

- 8.1.1 One Year Estimate (Operating Budget)
- 8.1.2 Three Year Estimate

8.2 Cashflow Estimate (1 year)

8.3 Finance Required

8.4 Break-Even Analysis

8.5 Forecasted Statement of Financial Position

8.6 Ratio Analysis

8.1 Statement of Financial Performance Forecasts

Throughout the development of your business plan it is likely that you have begun to calculate estimated revenues for your business. Likewise, you will also have identified areas of expenditure.

For example, in your marketing plan you will have outlined the pricing structure you will use and the promotions that need to be conducted, while in the human resources and operations plan you will have identified any equipment that needs to be purchased, personnel to be employed and training to be conducted. You should now spend some time reviewing previous components of your business plan to identify any planned income and expenditures.

8.1.1 Statement of Financial Performance One-Year Forecast

In order to prepare your statement of financial performance you will firstly need to forecast what monthly income and expenditure would be over the first year. A Sales Template has been provided on the following page to help you to do this. The monthly totals from this template can then be transferred to the template for the Statement of Financial Performance (One-Year Forecast).

If your business is already in operation it is a good idea to photocopy the Statement of Financial Performance template and complete it for the past year of business, using actual income and expenditure. You can then use this as a guideline to help you develop forecasts to use in the Statement of Financial Performance estimated for the next year.

Note: Remember that estimates should NOT include GST if you are GST registered.

Statement of Financial Performance (One-Year) Assumptions

You must outline the assumptions you make when developing your forecasts. This means you should explain how you worked out what your monthly revenue and expenditures would be. Assumptions must be specific enough for someone else to be able to understand exactly how figures (particularly sales figures) have been calculated. It is a good idea to complete the Sales Template and include this with your Assumptions to demonstrate sales calculations.

An example of an assumption is as follows:

*“In the Human Resources and Manufacturing Operations component of the plan, it was estimated that, on average, the business will manufacture and sell 125 products per full working week. This equals 25 products per day. In the marketing plan it was estimated that the average price per item sold would be \$20. Thus, sales income for each month was estimated as $25 * \$20 * \text{number of working days in that month}$. In addition, it is expected that extra products would be manufactured and sold to meet the demands of Christmas shopping. Thus, daily sales for the month of December would triple to 150 sales, but due to Christmas discounts and sales, the average price would drop to \$16. Thus, the sales income for December was estimated as $150 * \$16 * 15 = \$36,000$ (where 15 = number of working days)”.*

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Sales Template

Transfer Monthly Total Sales through to the first row of the Statement of Financial Performance (One-Year Forecast)

	Product 1	Product 2	Product 3	Product 4	Product 5	Total Sales
April						
Price						
Quantity						
Sales (\$)						\$
May						
Price						
Quantity						
Sales (\$)						\$
June						
Price						
Quantity						
Sales (\$)						\$
July						
Price						
Quantity						
Sales (\$)						\$
August						
Price						
Quantity						
Sales (\$)						\$
September						
Price						
Quantity						
Sales (\$)						\$
October						
Price						
Quantity						
Sales (\$)						\$
November						
Price						
Quantity						
Sales (\$)						\$
December						
Price						
Quantity						
Sales (\$)						\$
January						
Price						
Quantity						
Sales (\$)						\$
February						
Price						
Quantity						
Sales (\$)						\$
March						
Price						
Quantity						
Sales (\$)						\$
Total Annual Sales						\$

**Statement of Financial Performance (One-Year Forecast)
For the Year Ending:**

	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$
SALES						
Less: Cost of Goods Sold (COGS)						
Opening Stock						
Plus: Purchases						
Direct Labour						
Less: Closing Stock						
TOTAL COGS						
GROSS PROFIT						
EXPENSES						
<i>Administration</i>						
Office Salaries						
Telephone						
Travel & Vehicle						
Internet						
Postage						
Stationery						
General Expenses						
Insurance						
Accountancy Costs						
Other						
Total						
<i>Overheads</i>						
Rent/Rates						
Heat & Power						
Depreciation						
Lease Costs						
Repairs & Maintenance						
Other						
Total						
<i>Selling Expenses</i>						
Promotions						
Freight						
Royalties						
Commissions						
Other						
Total						
<i>Financial Expenses</i>						
Discounts for Prompt Payment						
Interest						
Bad Debts						
Bank charges						
Total						
TOTAL EXPENSES						
NET PROFIT BEFORE TAX						
Less Income Tax						
NET PROFIT AFTER TAX						

**Statement of Financial Performance (One-Year Forecast Continued)
For the Year Ending:**

	Oct \$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Year Total \$
SALES							
Less: Cost of Goods Sold (COGS)							
Opening Stock							
Plus: Purchases							
Direct Labour							
Less: Closing Stock							
TOTAL COGS							
GROSS PROFIT							
EXPENSES							
Administration							
Office Salaries							
Telephone							
Travel & Vehicle							
Internet							
Postage							
Stationery							
General Expenses							
Insurance							
Accountancy Costs							
Other							
Total							
Overheads							
Rent/Rates							
Heat & Power							
Depreciation							
Lease Costs							
Repairs & Maintenance							
Other							
Total							
Selling Expenses							
Promotions							
Freight							
Royalties							
Commissions							
Other							
Total							
Financial Expenses							
Discounts for Prompt Payment							
Interest							
Bad Debts							
Bank charges							
Total							
TOTAL EXPENSES							
NET PROFIT BEFORE TAX							
Less Income Tax							
NET PROFIT AFTER TAX							

Statement of Financial Performance One-Year Assumptions

Sales Assumptions:

Expenses Assumptions:

1)

2)

3)

4)

5)

Income Tax Assumptions:

GST Registration Assumption:

8.1.2 Statement of Financial Performance Three – Year Forecast

Once you have completed your one-year estimate, the totals given in the last column of the table (titled 'Year Totals') need to be entered into the second template of the Statement of Financial Performance (three-year forecasts).

Use the totals from the one-year estimate to help you estimate income and expenditure for the next two years. Space is also provided for you to express expenditure and profit as a percentage of sales. This will help highlight your largest costs and will show you how much profit you receive per dollar of sales.

*For example, if you expect to have sales of \$110,000 and net profit after tax of \$35,000, your net profit would be 31.8% of sales (i.e. $\$35,000 / \$110,000 * 100 = 31.8$). This means that for every \$1 of sales you make, you only receive 31.8 cents of profit.*

Statement of Financial Performance (Three- Year Forecast) Assumptions

You must outline the assumptions you make when developing your forecasts. You do not need to repeat any assumptions made for the one-year forecast, but you should explain how income and expenditure would change over the following years.

Examples:

You may note that sales are expected to increase by 5% per year. Thus, if sales for the first year was estimated at \$360,000, then sales for the following year would increase to \$378,000, and to \$396,900 in the third year.

As a result of increased sales, you may write that some expenses, such as freight, would also increase by 5% per year.

It is possible that you may be leasing a building in the first year, but expect to purchase premises in the second year. If so, you would explain this in your assumptions, so that the person reading your forecast understands why the lease expense has been removed.

If you intend to employ additional staff after the first year, this will affect your salaries / wages expenses. Thus, this will need to be explained. However, make sure that you are consistent with your human resources plan! I.e. if you budget additional salaries in year 3, these staff vacancies should be outlined in your human resources plan.

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Statement of Financial Performance (Three-Year Forecast)

	Year ending.....		Year ending.....		Year ending.....	
	\$	% of sales	\$	% of sales	\$	% of sales
SALES						
Less: Cost of Goods Sold (COGS)						
Opening Stock						
Plus: Purchases						
Direct Labour						
Less: Closing Stock						
TOTAL COGS						
GROSS PROFIT						
EXPENSES						
Administration						
Office Salaries						
Telephone						
Travel & Vehicle						
Internet						
Postage						
Stationery						
General Expenses						
Insurance						
Accountancy Costs						
Other						
Total						
Overheads						
Rent/Rates						
Heat & Power						
Depreciation						
Lease Costs						
Repairs & Maintenance						
Other						
Total						
Selling Expenses						
Promotions						
Freight						
Royalties						
Commissions						
Other						
Total						
Financial Expenses						
Discounts for Prompt Payment						
Interest						
Bad Debts						
Bank charges						
Total						
TOTAL EXPENSES						
NET PROFIT BEFORE TAX						
Taxes Payable						
NET PROFIT AFTER TAX						

Statement of Financial Performance (3-Year) Assumptions

8.2 Cashflow Estimate

Develop your cashflow estimate using your one-year Statement of Financial Performance forecast as a guide.

GST Note:

Remember that figures in the one-year Statement of Financial Performance forecast did not include GST (unless you are not registered for GST). However, figures in your cashflow estimate WILL include GST – regardless of whether or not you are registered for GST.

For example, if you estimated that sales were \$40,000 for the month of January, assuming all sales were cash sales, then your cashflow estimate will show sales receipts of \$45,000. Similarly, if you estimated that the supplies and materials were \$18,000, then your cashflow estimate would show this expenditure as \$20,250.

However, remember that some activities are GST exempt. This includes staff wages, drawings and financial expenses (e.g. bank fees). Domestic rental does not have GST, however, business rental does.

Cashflow Assumptions

List any assumptions made when developing your cashflow estimate.

Example:

You may assume that:

- *90% of sales per month will be made on a cash basis.*
- *10% of sales per month will be on a credit basis. Of this 10%, 9% will pay for their sales in the following month and the remaining 1% will not pay at all (become a bad debt).*
- *GST is paid 2-monthly on a cash basis.*
- *Office expenses include phone, internet, postage and stationery expenses.*

Cashflow Assumptions

A large, empty rectangular box with a thin black border, intended for the user to write their cashflow assumptions. The box occupies most of the page area below the title and above the footer.

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**Cashflow Estimate
For the Year Ending:**

Item	April \$	May \$	June \$	July \$	Aug \$	Sept \$
Cash Receipts						
Cash Sales						
Accounts Receivable (Collected)						
Cash Equity In						
Other						
TOTAL RECEIPTS						
Cash Disbursements						
Purchases						
Direct Labour						
Office Salaries						
Telephone						
Travel & Vehicle						
Internet						
Postage						
Stationery						
General Expenses						
Insurance						
Accountancy Costs						
Rent / Rates & Mortgage						
Heat & Power						
Lease Costs						
Repairs & Maintenance						
Promotions						
Freight & Packaging						
Commission						
Other GST incl. costs						
Capital Purchases						
GST						
Other Tax						
Interest						
Bank Charges						
Loan Payments						
Drawings						
Other						
TOTAL DISBURSEMENTS						
NET CASH SURPLUS (OR DEFICIT)						
Opening Bank Balance						
Closing Bank Balance						

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Cashflow Estimate (Continued)

Item	Oct \$	Nov \$	Dec \$	Jan \$	Feb \$	March \$	Year Total \$
Cash Receipts							
Cash Sales							
Accounts Receivable (Collected)							
Cash Equity In							
Other							
TOTAL RECEIPTS							
Cash Disbursements							
Purchases							
Direct Labour							
Office Salaries							
Telephone							
Travel & Vehicle							
Internet							
Postage							
Stationery							
General Expenses							
Insurance							
Accountancy Costs							
Rent / Rates & Mortgage							
Heat & Power							
Lease Costs							
Repairs & Maintenance							
Promotions							
Freight & Packaging							
Commission							
Other GST incl. costs							
Capital Purchases							
GST							
Other Tax							
Interest							
Bank Charges							
Loan Payments							
Drawings							
Other							
TOTAL DISBURSEMENTS							
NET CASH SURPLUS (OR DEFICIT)							
Opening Bank Balance							
Closing Bank Balance							

8.3 Finance Required

Once the Cashflow forecast has been completed, you will be able to identify what amounts of finance are required by the business.

There are two parts to this section, with the requirements for the first part differing depending on whether you are already in business or are yet to start a business.

The parts of the section are as follows:

Part One: Initial Financial Position at Beginning of the Year

If Business is NOT yet Operating:

- Initial (Cash) Equity Contributions
- Initial (Other Asset) Equity Contributions
- Start-Up Cash Finance required from External Sources
- Summary of Initial Financial Position

If Business IS Operating:

- Summary of Initial Financial Position

Part Two: Additional Finance Required Throughout the Year

(Same regardless of whether business is already operating)

Part One: Initial Financial Position at Beginning of the Year

If your business is NOT yet operating, complete all Tasks below.

If your business IS currently operating, only complete Task 4 below.

Task 1: Initial (Cash) Equity Contributions

Important: *If your business has already started, do not complete this component.*

If you are not yet in business you will need to identify amounts of cash that you, and other owners, will initially contribute to the business. Make sure that any amounts of cash equity you identify are also shown in the previous Cashflow Statement.

Initial Equity – Cash Contributions to Start the Business	
Contributor	Amount to be Contributed (\$)
<i>Example</i> Tamati Brown (Business Partner)	\$5,500
Total Initial Cash Equity	\$

Task 2: Initial (Other Asset) Equity Contributions

Important: If your business has already started, do not complete this component.

When you start your business, in addition to cash, you may contribute other assets to the business. Complete the table below to show what assets you will contribute to the business worth \$500 or more when it first begins operating. Note that this should be consistent with the assets identified in your Human Resources and Operations Plan:

Initial Equity – Other Asset Contributions to Start the Business		
Asset	Contributor	Value (\$)
<i>Example</i> 1999 Toyota Hilux Vehicle	Tamati Brown	\$8,500
Total Initial (Other Asset) Equity Contributions		\$

Task 3: Start-Up Cash Finance Required from External Sources

Important: If your business has already started, do not complete this component.

You may also need to seek additional sources of initial finance for your business. For example, it is very common to need a business bank loan. In some circumstances you may be eligible for other types of business grants. Complete the table below to show what initial start-up funds you will need to obtain:

Start-Up Cash Required from External Sources	
Likely Sources of Additional Cash Start-up Finance	Amount (\$)
<i>Example:</i> National Bank Loan	\$15,000
Total Amount of Additional Cash from External Sources	\$

Task 4: Summary of Initial Financial Position

Important: All students are to complete this component, including those whose business is already in operation and those who are yet to start their business.

Using the information given in the tables above, summarise your initial financial position. If your business is already in operation, you will not get the information from the tables above. Instead you will use other sources of information to work out what your initial equity, assets and liabilities will be at the beginning of the financial year (to which the Cashflow Statement relates). You may be able to estimate this information from your most recent Financial Statements, or from your own records of assets & liabilities.

Example for a Business that is Not Yet Operating

Sonya Stephens & Perry Torino are going to start a partnership, with Sonya contributing \$3,000 of initial (cash) equity, and Perry contributing \$2,500 of initial (cash) equity. In addition, Sonya will contribute a production machine currently valued at \$850, and Perry will contribute a vehicle currently valued at \$6,500. In order to start operating, Sonya & Perry will also get bank loan of \$20,000 to buy some equipment. The initial financial position of the business is shown as follows:

Assets	\$	Liabilities and Equity	\$
Bank	25,500	<u>Liabilities</u>	
Equipment	850	Bank Loan	20,000
Vehicle	6,500	<u>Equity</u>	
		S. Stephens	3,850
		P. Torino	9,000
Total Assets	\$32,850	Total Liabilities and Equity	\$32,850

Example for a Business that is Already Operating

It is now 18 July and Pat's Local Cartage has been in operation for three months. Pat has developed a cashflow forecast for the period 1 August 2013 to 31 July 2014. Although the business has never had financial statements produced by the accountant Pat has estimated his Initial Financial Position as at 1 August 2013.

The business currently owes \$147,847 to APA Finance, the finance company that he used to purchase his second-hand truck (which originally cost \$175,000), and knows that, by 1 August 2013 he will only owe \$146,655. Depreciation of \$5,469 will apply to the truck as at this date.

The current bank balance of the business is \$3,249 and based on estimates of money coming in and out of the business over the next two weeks, Pat considers the bank balance will be approximately \$3,050 on 1 August 2013.

Aside from the truck, the business also owns \$4,500 of tools and general cartage equipment (which will have depreciated by \$225 by 1 August). Pat doesn't expect to purchase any more equipment before 1

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August 2013. The estimated initial financial position of the business as at 1 August 2013 is therefore shown as follows:

Initial Financial Position as at 1 August 2013			
Assets	\$	Liabilities and Equity	\$
Bank	3,050	<u>Liabilities</u>	
Equipment & Tools	4,500	APA Finance	146,655
Truck	175,000		
Less total depreciation	-5,694	<u>Equity</u>	
		Equity as at 1 Aug 13	30,201
Total Assets	\$176,856	Total Liabilities and Equity	\$176,856

Now, show your Initial Financial Position in the table below. Make sure that:

- The bank amount is the same as the Opening Bank Balance shown in your Cashflow Forecast; and
- Total Assets = Total Liabilities + Total Equity

Initial Financial Position as at:			
Assets	\$	Liabilities and Equity	\$
Bank		<u>Liabilities</u>	
Other Assets		<u>Equity</u>	
Total Assets		Total Liabilities and Equity	

Part Two: Additional Finance Required through the Year

Next, use the box provided to identify any financing requirements for the year to which your forecasted Statement of Financial Performance and Cashflow Forecast relate. After completing your cashflow forecasts, you may know whether or not you need additional finance. There may be some months in which you forecast your cash flow will be negative (i.e. a net cash deficit). If you do not have the funds in your bank account to cover this deficit you will need to make arrangements for additional finance. Alternatively, you may intend to contribute more personal assets (other than cash) to the business part way through the year.

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Some examples of additional finance you may need include:

- Additional cash equity contributions through the year.
- Additional asset equity contributions.
- Additional bank loans or loans with other financial institutions.
- Finance arrangements on large purchases (e.g. Leasing/Hire purchase etc).
- Working capital arrangements (e.g. A business credit card, credit arrangements with suppliers or an overdraft facility).

When completing the table, make sure that any cash to be added to the business is also shown in the Cashflow Estimate previously completed.

Example

In the example below, the bank loan of \$13,000 would show as 'Other' Cash Receipts for the month of February. However, be careful that non-cash amounts are NOT shown in the cashflow estimate. In the example below, the computer valued at \$500 is being given to the business, and therefore the cashflow estimate will NOT show this amount. Similarly, for the hire purchase arrangement of \$16,200, only the monthly hire purchase payments will be shown in the cashflow estimate (i.e. not the full \$16,200).

Type of Additional Finance Required	Amount / Value (\$)	When Required
<i>Examples</i>		
<i>Computer to be contributed by owner</i>	<i>\$500</i>	<i>September 2013</i>
<i>Hire purchase arrangement with equipment manufacturer</i>	<i>\$16,200</i>	<i>November 2013</i>
<i>Bank Loan to purchase a second vehicle</i>	<i>\$13,000</i>	<i>February 2014</i>

Complete the table below:

Type of Additional Finance Required	Amount / Value (\$)	When Required

8.4 Break–Even Analysis

The break-even analysis shows you how many units you need to sell in order to break even, i.e. cover all your costs.

Use the information from your Year Totals of your Statement of Financial Performance (One-Year Forecast) to complete the analysis below.

A) Sales	\$ <input style="width: 80%;" type="text"/>	<input style="width: 80%;" type="text"/> 100 %
B) Gross Margin	\$ <input style="width: 80%;" type="text"/>	<input style="width: 80%;" type="text"/> %

The percentage given in Part (B) above is the percentage contribution to expenses per dollar of sales. In other words, it shows you how much of the sales revenue is available to cover expenses.

*For example, if the gross margin is \$40,000 and sales are \$50,000, gross margin is 80% of sales (i.e. $\$40,000 / \$50,000 * 100 = 80$). Thus, 80 cents of each dollar of sales is available to cover expenses – only 20 cents of each dollar of sales was needed to cover the cost of the item sold / service provided.*

C) Total Expenses	\$ <input style="width: 90%;" type="text"/>
D) Break-Even Sales Level = Total Expenses divided by Gross Margin (%)	\$ <input style="width: 90%;" type="text"/>

For example, if Total Expenses were estimated to be \$10,000, and Gross Margin was estimated at 80%, the break-even sales level would be \$12,500. In other words, you would need to sell at least \$12 500 worth of products / services in order to cover your expenses.

Enter the average price of your products in space (E). Your average unit price should be consistent with the price used to develop your Statement of Financial Performance forecasts and the pricing outlined in your marketing plan. If you are GST registered, it should exclude GST.

E) Average Unit Price (Exc. GST)	\$ <input style="width: 90%;" type="text"/>
F) Break-even Sales Level – Units per Year = Break-even sales level (D) divided by average unit price.	<input style="width: 90%;" type="text"/> Units

For example, if your break-even sales level estimated in Part D was \$12,500, and your products cost on average \$20, you would need to sell 625 products each year in order to break even. This equals sales of approximately 12 units per week (on average).

Now, comment on what your Break-Even Analysis means:

Break-Even Analysis Comment

8.5 Forecasted Statement of Financial Position

Complete the Forecasted Statement of Financial Position on the following page. Start by transferring the information about the Initial Financial Position (shown in Section 8.3) into the first column titled 'As at Start Date....'.

Second, use the information from your Statement of Financial Performance and Cashflow Estimate to determine your statement figures for the second column titled 'As at End of First Year'.

Note: a difference of \$5 between Total Assets and Total Liabilities + Owners' Equity is acceptable in the final balance of the Statement of Financial Position due to the impact of rounding figures.

Forecasted Statement of Financial Position

	As at Start Date:	As at End of First Year:

	\$	\$
Assets		
<u>Current Assets</u>		
Bank Account		
Accounts Receivable		
Stock on Hand		
Other		
Total Current Assets		
<u>Investment Assets</u>		
Term Deposits		
Other		
Total Investment Assets		
<u>Intangibles</u>		
Goodwill		
Other		
Total Intangible Assets		
<u>Fixed Assets</u>		
Plant		
Equipment		
Vehicle		
Less: Accumulated Depreciation on all Fixed Assets		
Other		
Total Fixed Assets		
Total Assets		
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable		
GST Payable		
Income Tax Payable		
Bank Overdraft		
Short Term Hire Purchase		
Other		
Total Current Liabilities		
<u>Term Liabilities</u>		
Term Loan		
Long Term Hire Purchase		
Mortgage		
Other		
Total Term Liabilities		
Total Liabilities		
Owner's Equity		
Opening Balance		
Plus: Additional Equity		
Plus: Net Profit		
Less: Drawings		
Closing Balance		
Liabilities Plus Owner's Equity		

8.6 Ratio Analysis

The ratio analysis will use the information from the Statement of Financial Performance and the Statement of Financial Position. You must also comment on each of the sets of ratios calculated.

8.6.1 Profitability Ratio

Net Profit Margin

$$\boxed{\text{Net Profit after Tax}} \div \boxed{\text{Sales}} = \boxed{\text{Net Profit Margin (\%)}}$$

Explanation

The Net Profit Margin shows what percentage of sales results in a profit.

For example if your Net Profit Margin is 12%, this means that, for every \$1 of sales made, you only get 12 cents of profit. The remaining 88 cents is spent on expenses.

Profitability Ratio Comments

8.6.2 Debt Management Ratios

Debt to Equity

$$\boxed{\text{Total Debt}} \div \boxed{\text{Equity}} = \boxed{\text{Debt to Equity Ratio (\%)}}$$

Explanation

This shows creditors' funds in our business as a percentage of shareholders' (owners') funds. If this ratio is over 100% it means that the owners' share of the business is less than that of the creditors.

Total Debt to Total Assets

$$\boxed{\text{Total Debt}} \div \boxed{\text{Total Assets}} = \boxed{\text{Total Debt to Total Assets (\%)}}$$

Explanation

This ratio shows the extent to which the business borrows to finance operations. Alternatively, think of it as the percentage of assets in the business owed to creditors.

For example, if this ratio is 30% this means that 30% of assets are owed to creditors, while the remaining 70% belongs to the shareholders.

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Interest Coverage

$$\boxed{\text{Earnings before Interest \& Tax}} \div \boxed{\text{Interest Cost}} = \boxed{\text{Interest Coverage}}$$

Explanation

This measures the relationship between debt-related fixed charges and the earnings available to meet those charges. If the interest coverage is less than 1 (for example 0.9) it means that the business is not able to meet its interest bill unless it increases sales or decreases expenses.

Debt Management Ratio Comments

8.6.3 Liquidity Ratios

Current Ratio

$$\boxed{\text{Current Assets}} \div \boxed{\text{Current Liabilities}} = \boxed{\text{Current Ratio}}$$

Explanation

This ratio measures the extent to which current obligations are covered by current assets.

For example, if the Current Ratio is equal to 2, this means that, for every \$1 of current bills the business has to pay, it has \$2 of assets available to pay these bills.

Liquidity Ratio (Acid Test)

$$\boxed{\text{Current Assets - Stock}} \div \boxed{\text{Current Liabilities - Secured Bank Overdraft}} = \boxed{\text{Liquidity Ratio}}$$

Explanation

This measures the extent to which there is cash currently available to meet current liabilities. It takes into account the fact that stock cannot usually be sold instantaneously in order to pay a bill.

For example, if the liquidity ratio is 0.8, this means that cash is only readily available to pay 80% of current bills.

Working Capital

$$\boxed{\text{Current Assets}} - \boxed{\text{Current Liabilities}} = \boxed{\text{Working Capital}}$$

Explanation

This indicates the value of current assets available for uncertainties.

For example, if current assets is \$20,000, but current liabilities is \$18,000, this means that there is only \$2,000 available to contribute towards any unexpected costs.

Liquidity Ratio Comments

8.6.4 Efficiency Ratios

Note: The ratios below have components in them that require averages. For example, the Total Asset Turnover requires you to identify the 'Average Total Assets'. Using the information in your Statement of Financial Position this would be calculated as: (Initial Total Assets + Total Assets at the end of the year) / 2.

However, if you do not think this figure accurately represents the *average* value of total assets throughout the year, you can adjust it.

For example, it is possible that throughout the first year you estimate you will have total assets of only \$10,000, but in the last month of the first year you plan to buy equipment worth \$18,000. Thus, total assets at the end of the year would be \$28,000, meaning that the average Total Assets is \$19,000. However, this is not an accurate average, as on average, throughout the year you did not have \$19,000 of machinery. Thus, you can reduce the figure displayed in the 'Average Total Assets' box to reflect this (the correct average would be closer to \$11,500 – calculated as: (\$10,000 x 11 months + 28,000 x 1 month) / 12 months.

Total Asset Turnover

$$\boxed{\text{Net Sales}} \div \boxed{\text{Average Total Assets}} = \boxed{\text{Total Asset Turnover}}$$

Explanation

This measures the efficiency of asset utilisation. An increase in this ratio from one year to another year indicates that assets are being used more efficiently, resulting in more sales.

Sales to Fixed Assets

$$\boxed{\text{Net Sales}} \div \boxed{\text{Average fixed assets}} = \boxed{\text{Sales to Fixed Assets}}$$

Explanation

This measures the efficiency of capital investment. A higher ratio indicates more efficient use of fixed assets. If you have inefficient or obsolete equipment this may lower the ratio.

Efficiency Ratio Comments

8.6.5 Return on Investment Ratios

The ratios below also require averages to be calculated. These can be calculated simply as the average of the two figures shown in the Statement of Financial Position – e.g. Average Total Assets = (Initial Total Assets + Total Assets at end of the Year) / 2. Alternatively this figure can be adjusted to more accurately reflect the *average* value of assets throughout the year.

Return on Assets

$$\boxed{\text{Net Profit}} \div \boxed{\text{Average Total Assets}} = \boxed{\text{Return on Assets (\%)}}$$

Explanation

This measures the return on investment. It indicates how well the business utilises assets to generate profits.

For example, if net profit is \$40,000 and average total assets is \$120,000 the return on assets would be 33.3%. This means that, in one year, each \$1 of assets generated 33.3 cents of profit.

Return on Equity

$$\boxed{\text{Net Profit}} \div \boxed{\text{Average Equity}} = \boxed{\text{Return on Equity}}$$

Return on Investment Ratio Comments

8.6.6 Activity Ratios

The ratios below also require averages to be calculated. These can be calculated simply as the average of the two figures shown in the Statement of Financial Position – e.g. Average Accounts Receivable = (Initial Accounts Receivable + Accounts Receivable at end of the Year) / 2. Alternatively this figure can be adjusted to more accurately reflect the *average* value of accounts receivable throughout the year.

Accounts Receivable Turnover

$$\boxed{\text{Net Sales}} \div \boxed{\text{Average Accounts Receivable}} = \boxed{\text{Accounts Receivable Turnover}}$$

Explanation

This ratio shows the number of times receivables are collected during the year. If a turnover is slowing this may be an indication that receivables are overstated, i.e. you may have some bad debts.

Accounts Receivable Collection

$$\boxed{365} \div \boxed{\text{Accounts Receivable Turnover}} = \boxed{\text{Accounts Receivable Collection}}$$

Explanation

This is the average number of days it takes to collect payment from customers.

Inventory Turnover

$$\boxed{\text{Cost of Goods Sold}} \div \boxed{\text{Average inventory (Finished Goods)}} = \boxed{\text{Inventory Turnover}}$$

Explanation

This is the number of times the stock turns over during the period. A high turnover indicates that stock is very liquid, i.e. it sells fast. If the turnover is slowing each year, it may indicate that your stock levels are overstated or demand for your product is slowing down.

Activity Ratio Comments