Why start a business?
Positive motives

- To control your own future
- To do things your way
- To make money
- To help people

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Advantages and Disadvantages of Self Employment

Advantages

- Be your own BOSS
- Flexible hours
- Choice(size, colleagues etc..)
- Earning potential
- Decision making
- Job satisfaction
- Tax benefits
- Plan for retirement

Disadvantages

- Requires self discipline
- Time management
- Family and relationships
- Lack of earnings
- Long unsocial hours
- Accurate record keeping
- Personal responsibility
- No safety net (sick pay, holidays, redundancy etc)

What stage are you at?

"I have an idea for starting a business."

"I need help and encouragement to give it a go!"

"How do I get the funding?"

Whatever the stage you must have a credible business plan!

A template for a Business Plan

- Summary of the business structure
- Outline of the product or service
- Analysis of markets and competition
- Sales and marketing plan
- Management structure
- Operations plan
- Financial forecasts
- Funding requirements
- Appendices

The characteristics of a good business plan:

Easy to understand

- Has a good structure
- Tells a story

Objective

- Based on credible research
- Positive but realistic

Credible

- The financial assumptions are feasible
- Not over-optimistic

Simple

- Easy to read
- Not too technical

This is the document that gives the business credibility.

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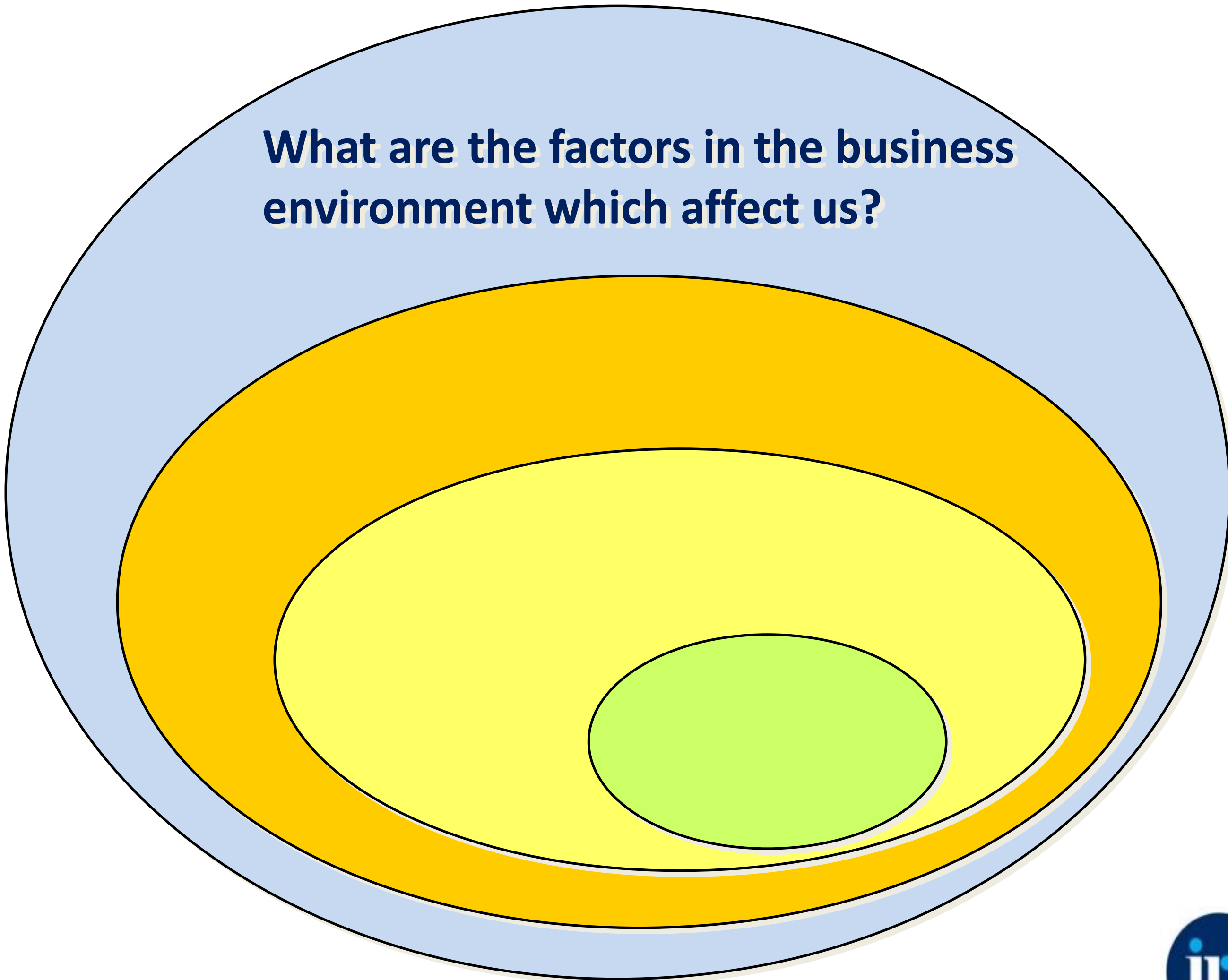
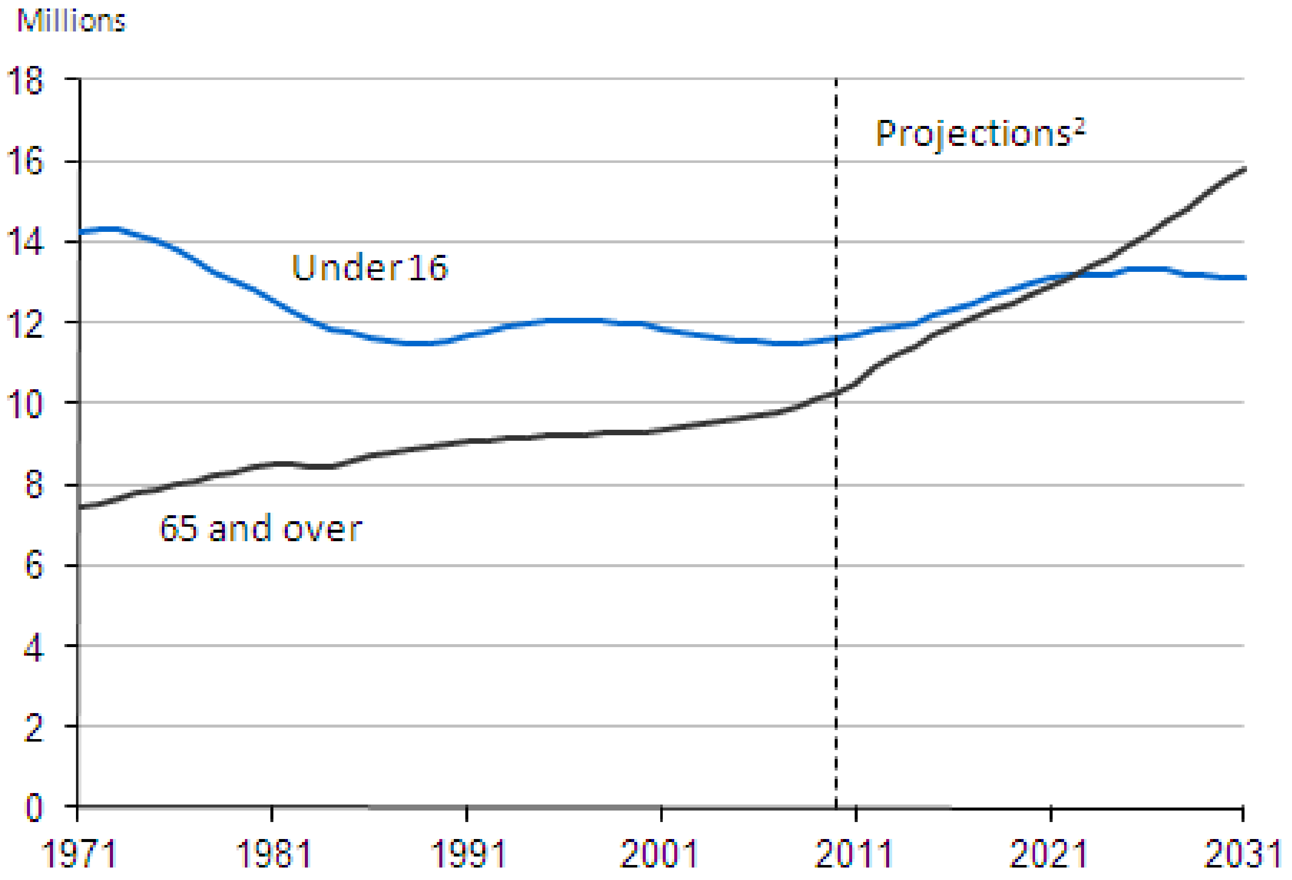
The world in which the company operates

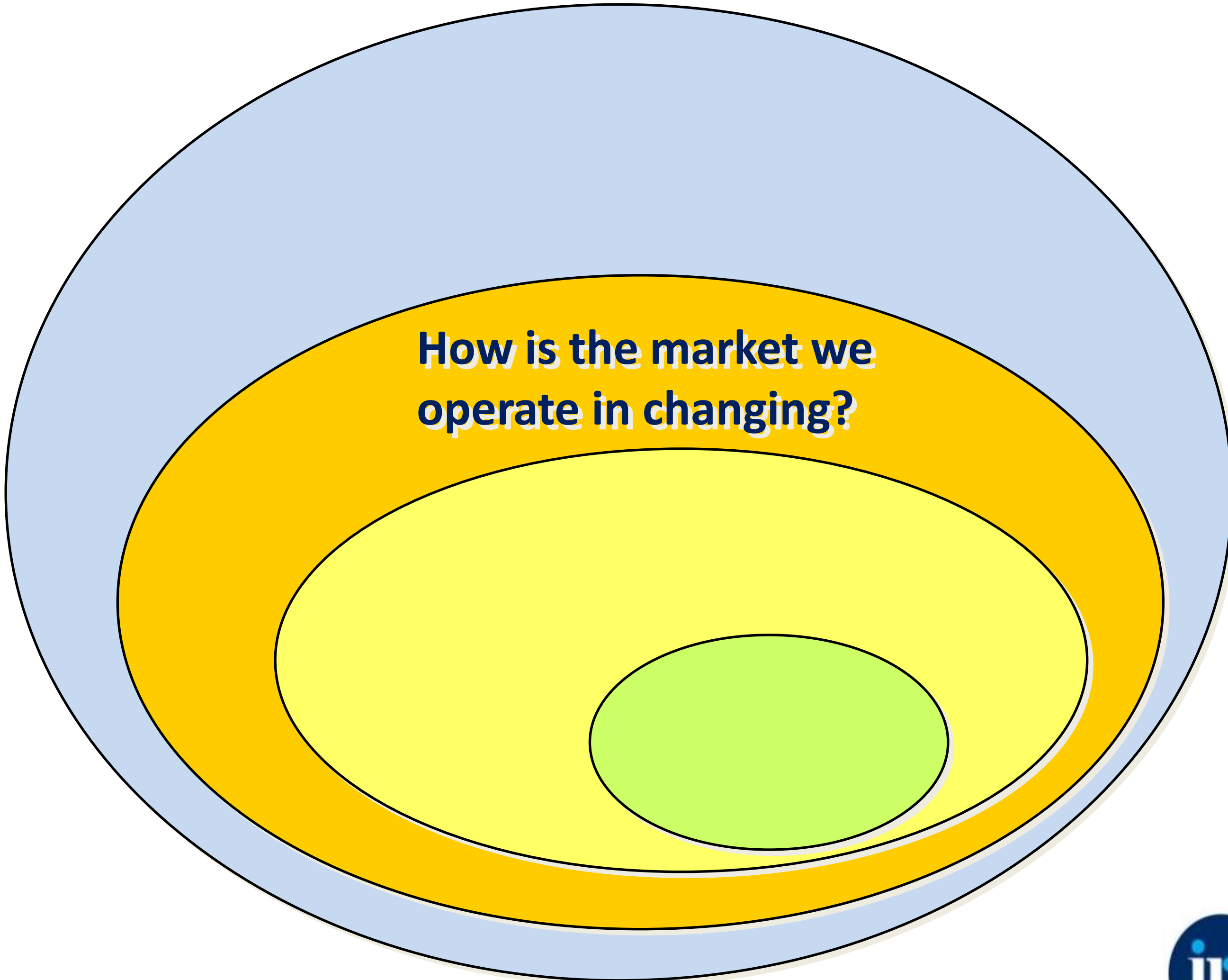


UK population profile

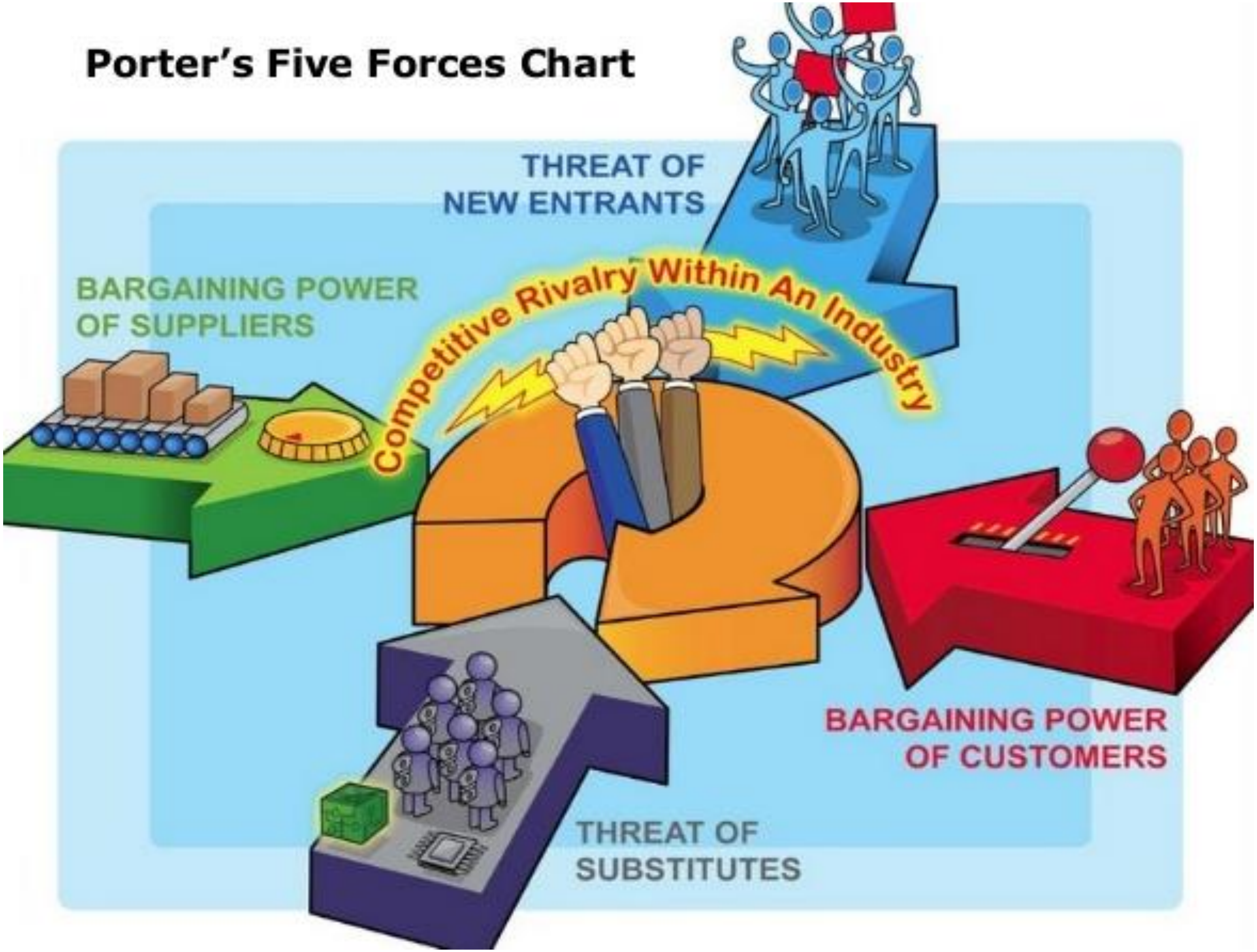



Disruptive Technologies!
Driving Change!
4.0
IoT
AI
Block chain
Robotics
Big Data Analytics
VR/AR
Drones
3D Printing

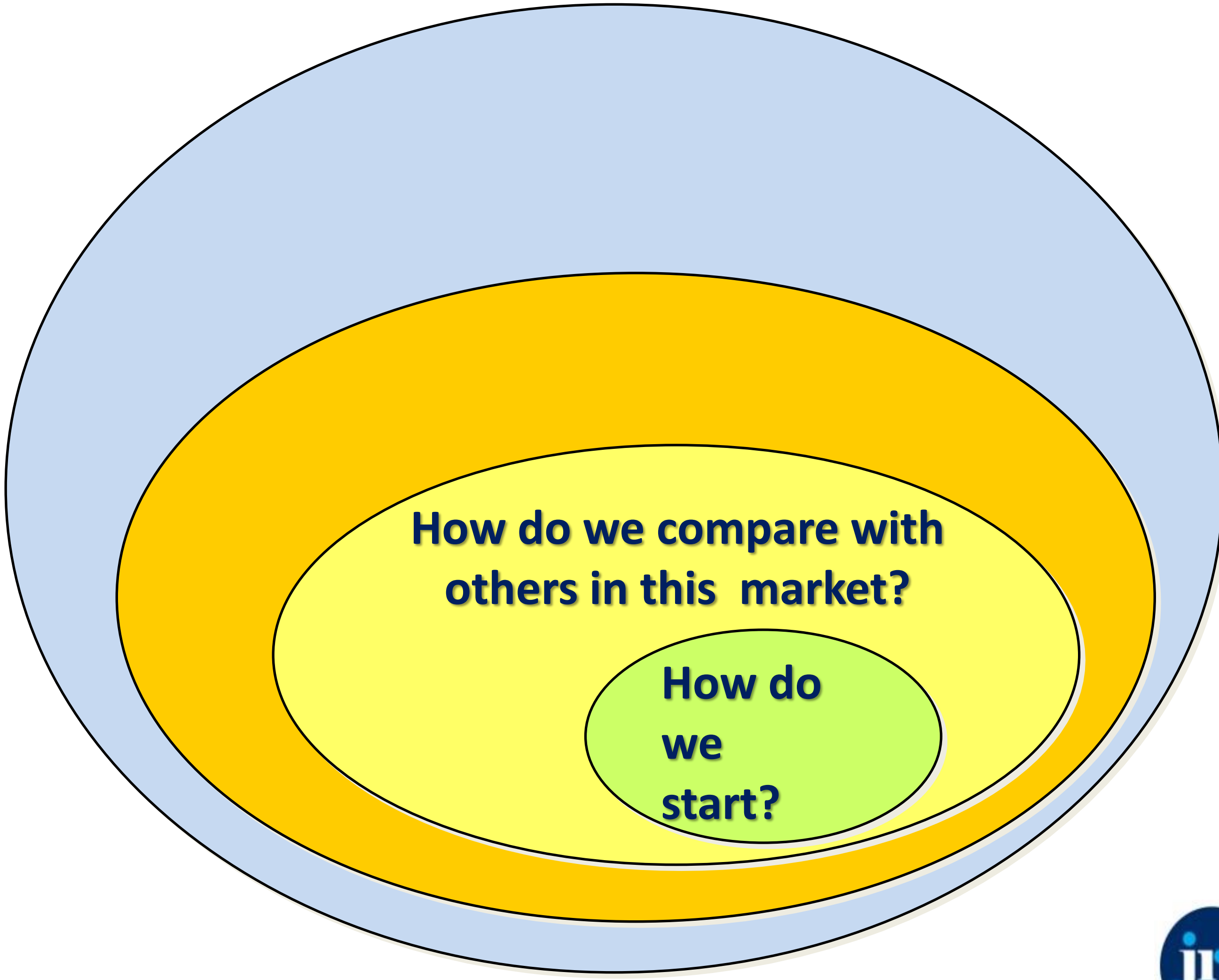
What are the trends and influences in the markets we are targeting?



Porter’s Five Forces Chart



Time to focus on the business and the way forward



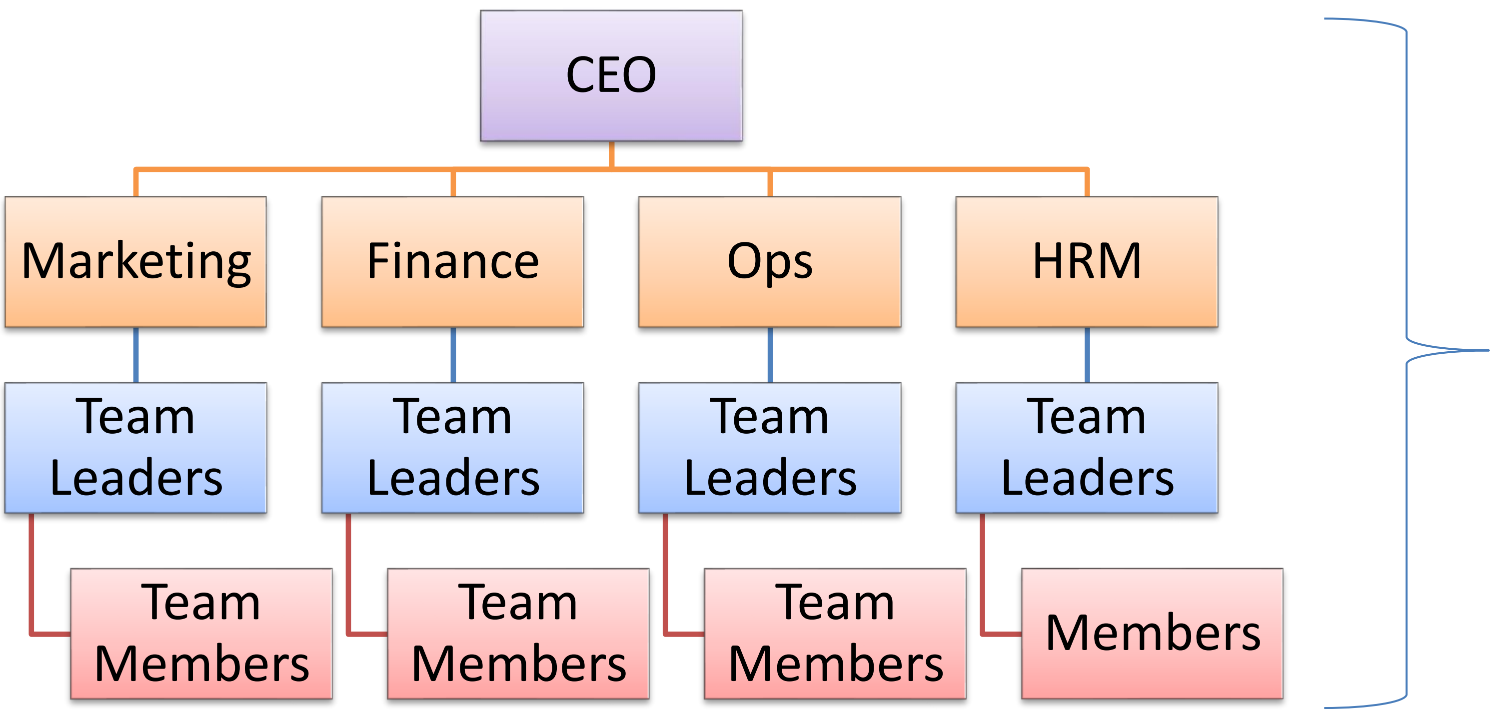
Types of business structures

Principal types of structure:

- Sole Trader
- Partnership
- Co-operative
- Company limited by guarantee
- Private Limited Company
- Public Limited Company
- Franchise

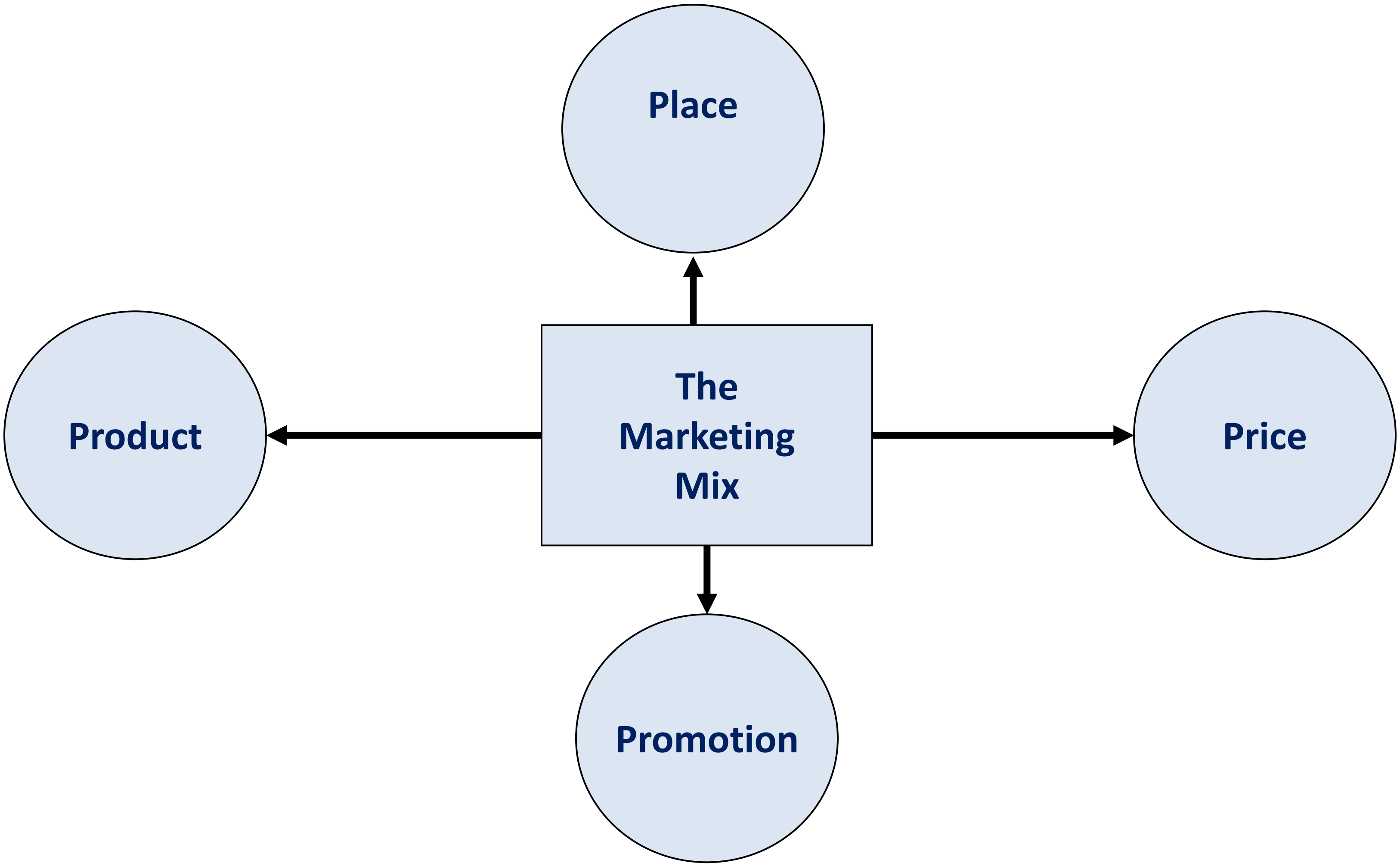
All of the above structures can employ people.

Organization Chart



This hierarchy has four levels

The Marketing Mix:
The "4 P's" of Marketing



Where do we stand in the market?

What are we particularly good at ?	**Where are we vulnerable?**
What opportunities can be exploited?	**Where are the threats to our ideas?**

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Strengths	Weaknesses
Loyal Customers	Santa is a control freak – may not have the best management style
High level of Awareness	Morbidly obese at 35 stone – fitness for work?
Strong Brand Image – Ho..Ho..Ho.. Catch Phrase	No investment in infrastructure
Omnipotent – maybe even magic	Delivers the entire stock on only 1 sled – risk of mechanical problems
Keeps overheads to a minimum	Evidence that Santa is an alcoholic – drinks 15,000 gallons of sherry and whisky in one night
Kids really like Santa	
Kids write to him – knows exactly what they need	

Opportunities	Threats
Growing world population	Internet sales – all year round
To deliver to ALL kids – not just the ones that have been good	RSPCA may inspect – but no evidence of animal cruelty
Diversify – use a talking meerkat (or similar) to attract a new customer base	House building – chimneys getting smaller
Deliver the toys 2 days earlier – for a premium gold card subscription.	Might get caught drinking on the job
	Lack of belief in modern teenagers – easy access to information

On what basis can we compete?

Competitive Factor	How important is this factor to the customer?	How do we compare on this factor with our competitors?
Price		
Speed		
Reliability		
Quality		
Innovation		

IMPORTANCE : Score from 1 (low) to 10 (high)

PERFORMANCE : Score from 1 (lot worse) to 10 (much better)

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Ansoff's Matrix (Product/Market Matrix)

	Existing Markets	New Markets
Existing Products	Market Penetration	Market Development
New Products	Product Development	Diversification

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Promotion

We've got a product and a price now it's time to promote it.

Promotion looks at the many ways companies disseminate relevant product information to consumers and differentiate a particular product or service.


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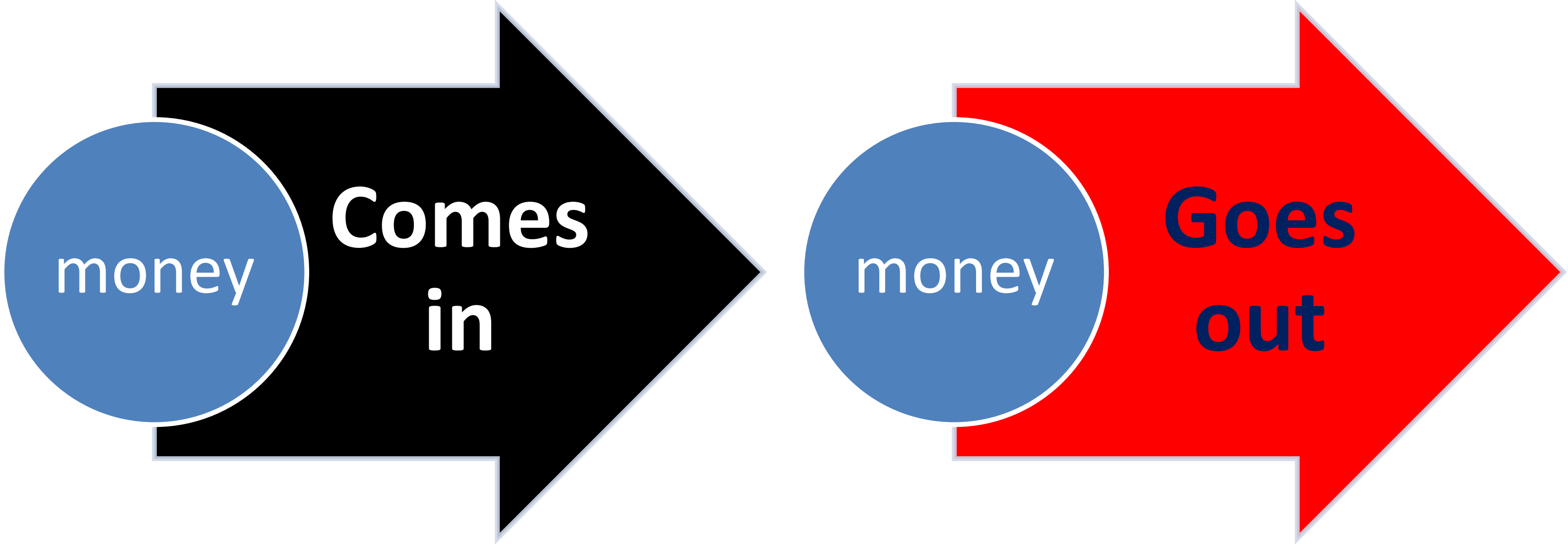
Business is about money.

And

Money only does two things...

Finance – the basics



The Three Main Tools

- Cash flow statement
- Profit and Loss
- Balance Sheet

Cashflow

Cash Flow Projections

The cash flow projection is the <u>most important</u> financial planning tool available to a company.

Cash management

- Young, growing companies are ‘cash sponges’.
- A business can be earning a profit and be forced to close because it runs out of cash!
- Cash management – forecasting, collecting, disbursing, investing and planning for the cash a company needs to operate smoothly

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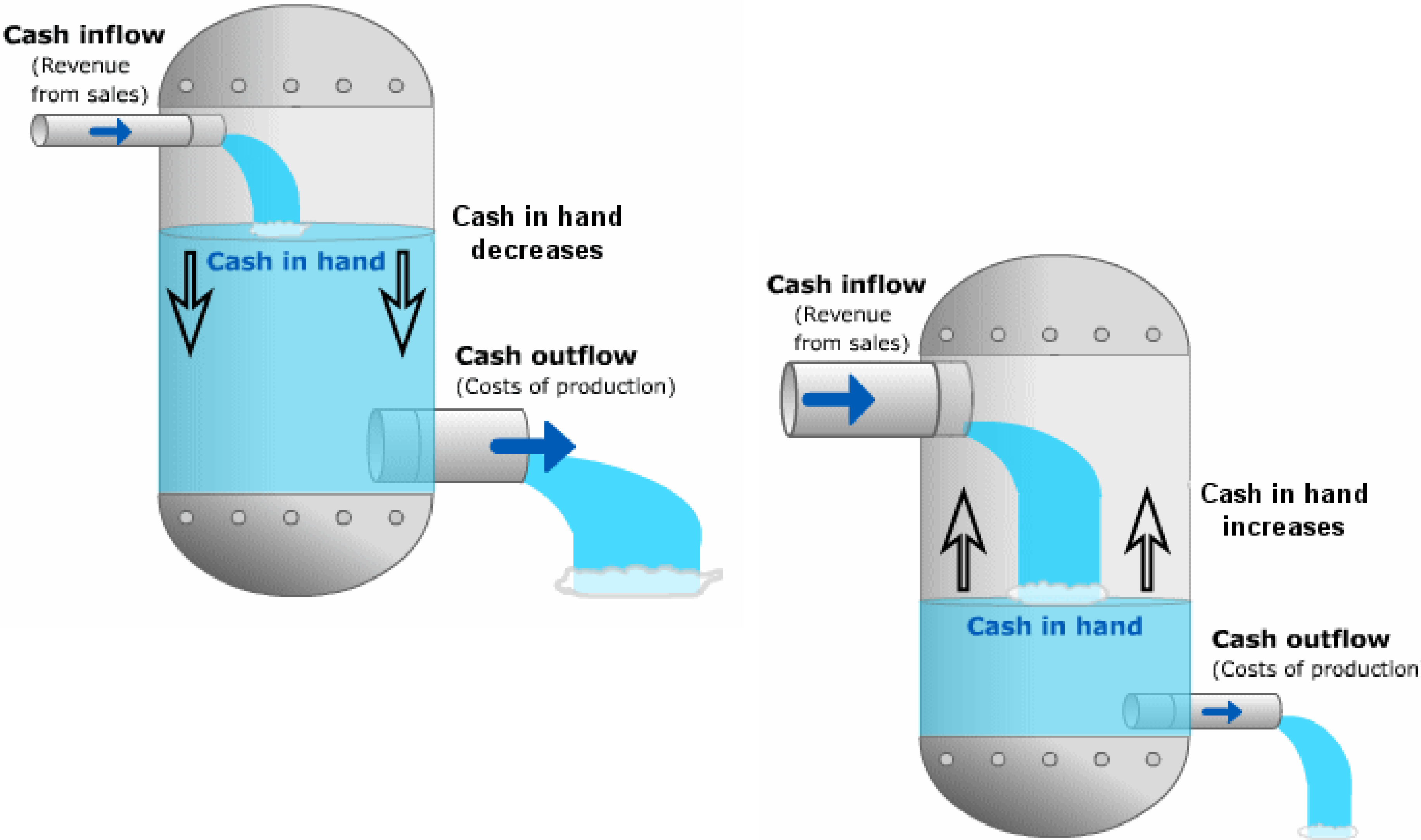
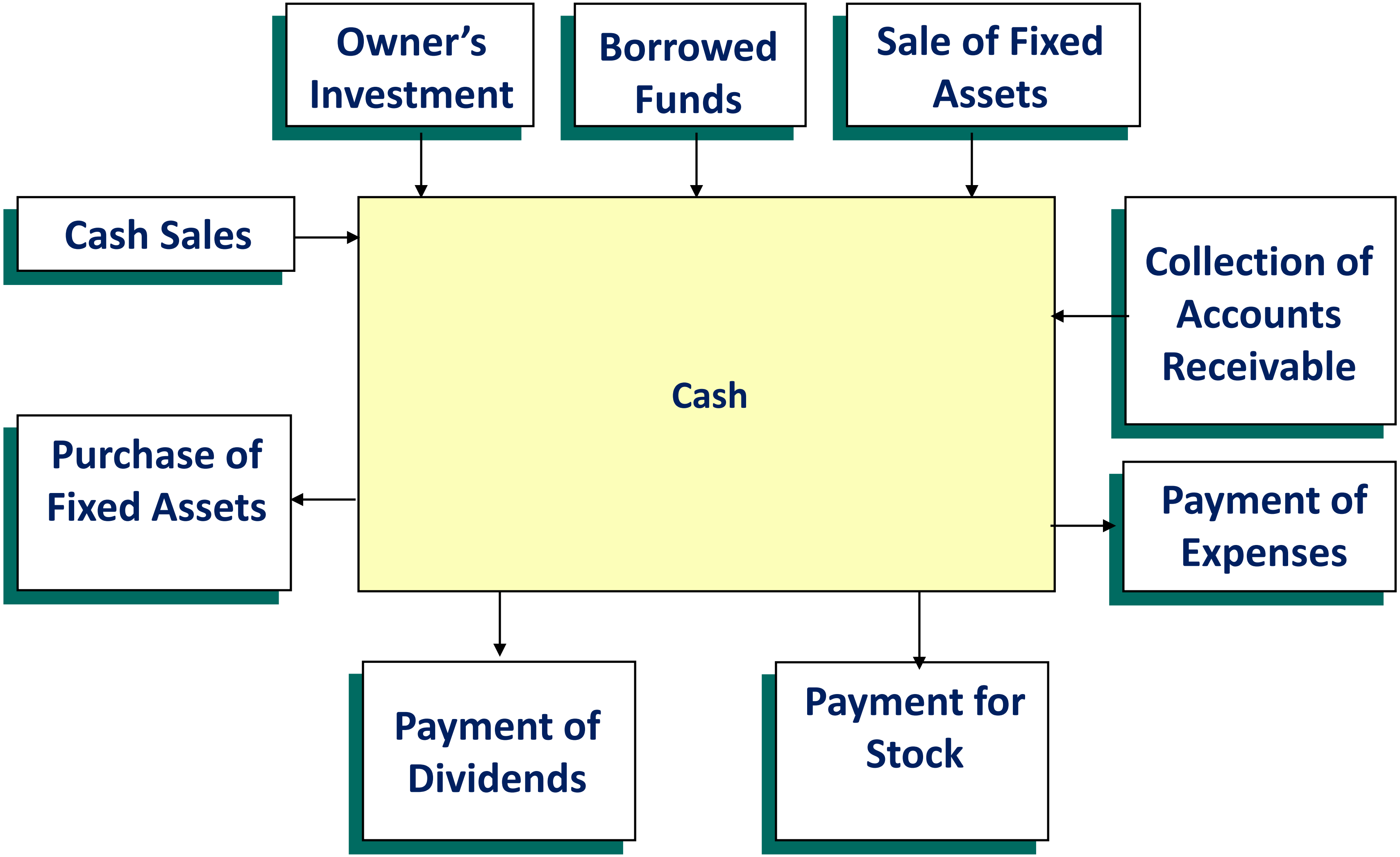


Cash inflow
(Revenue
from sales)
Cash in hand
Cash in hand
decreases
Cash outflow
(Costs of production)
Cash inflow
(Revenue
from sales)
Cash in hand
increases
Cash in hand
Cash outflow
(Costs of production)

Flow of Cash Through a Business



The Profit & Loss account (Income statement)

At the end of every trading year a business prepares final accounts. These provide a financial summary of all their trading activity during the year.

Now more commonly known as 'The Income Statement'

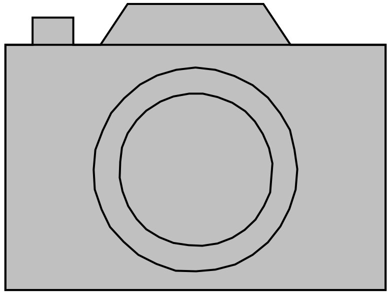
- ***It shows the net profit (or loss) made by a business at the end of the accounting period.***

The 3 Ways to Increase Profit

- Increase number of units sold
- Increase the selling price per unit
- Reduce the business costs

The Balance Sheet

- It is a *snapshot* of the business at one moment in time – year end, balance sheet date.



- Simply, it separates the assets from the liabilities.

Balance Sheet

- **A Snapshot of a company's financial position at a specific point in time**
  - **The Income Statement covers a period in time (Jan 1 – Dec 31, 2017)**
  - **The Balance Sheet represents a specific moment (December 31, 2017)**

- **In its simplest form, the Balance Sheet is:**

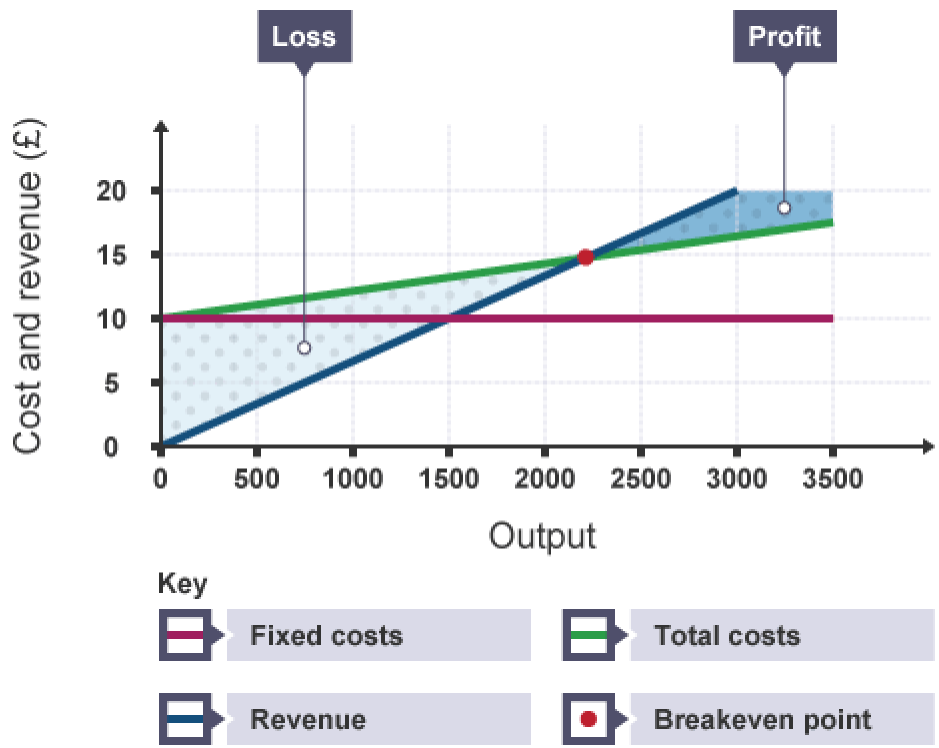
$$\boxed{\text{Total Assets}} = \underbrace{\boxed{\text{Outstanding Debt}} + \boxed{\text{Owner's Equity}}}_{\text{Debt \& Equity}}$$

Total assets always equal debt plus equity.

Now plot the total revenue line.
To do this, multiply: sales price x number of units (output)

If the sales price is £6 and 2,000 items were to be manufactured, the calculation is:

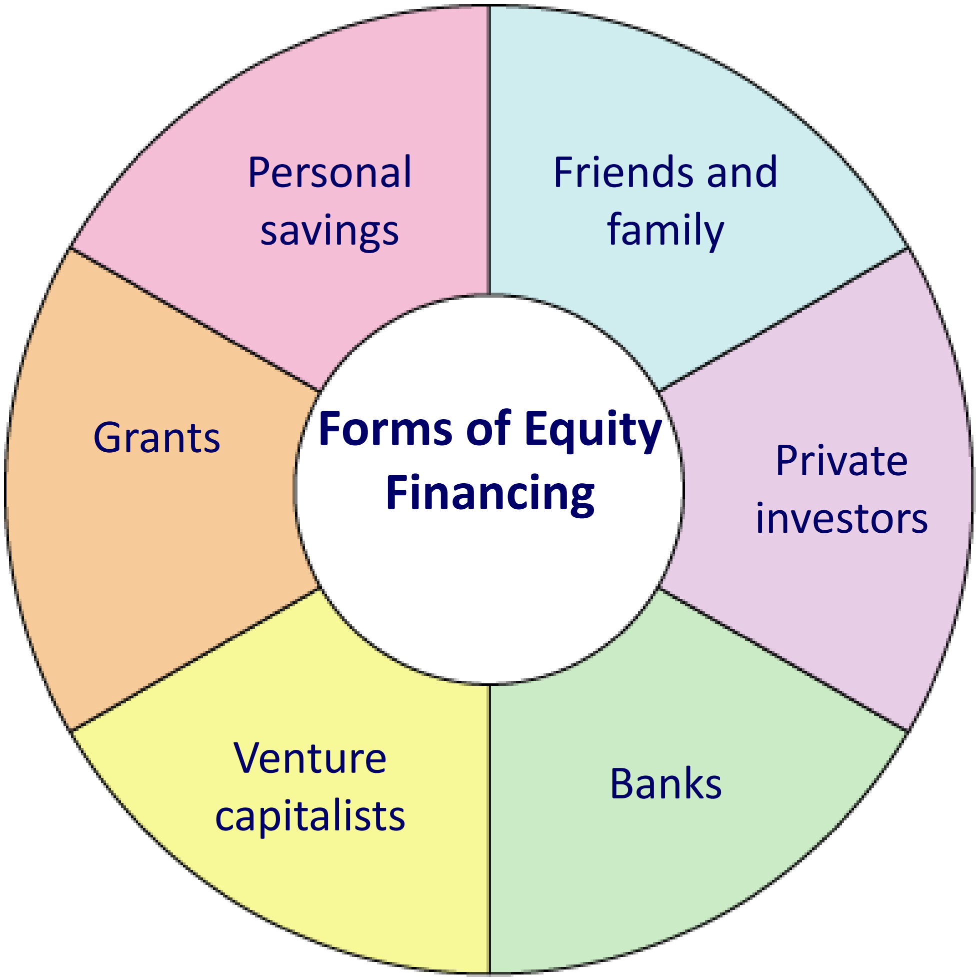
£6 x 2,000 = £12,000 total revenue



Where the total revenue line crosses the total costs line is the **break-even point** (i.e. costs and revenue are the same).

Everything below this point is produced at a loss, and everything above it is produced at a profit.

Sources of Equity Financing



The Banker's Concerns

How much money is needed?

What is the venture going to do with the money?

When will the money be needed?

When and how will the money be paid back?

Tips for a Good Business Plan

- It should look professional with clearly marked sections
- Keep it short, focused and positive
- Obtain objective assessment before distribution
- Plan ahead - raising finance takes a long time
- Send the plan in advance to banks etc.
- Be prepared to present it to various interested parties
- Be prepared for questions

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