

**BUSINESS
PLANNING
GUIDE**

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INTRODUCTION

With this guide you can logically plan your business and the necessary details will be considered so that everything is in order for a profitable and continuing business.

It is wise to start a business in close cooperation with The [BusinessOulu](#). You will get valuable information and as an outsider, the advisor has a good possibility to contact public investors and help with financial applications and other documents.



1. BUSINESS PLANNING

Please take the workbook business plan and fill it according to the advice given in this guide. After filling the work book, you will have a completed plan to go and show investors. It is not necessary to find all the answers to the questions in the work book.

1.1 BUSINESS ENVIRONMENT AND COMPETITOR ANALYSIS

Before business planning, you must know the business environment and competitors. Customers and their changing needs, laws, changes in the environment and in the set of values create the business environment. One of the most important changes in customer behaviour is purchasing co-operation. Customers purchase their products in a big amount and decisions are made from a long distance. Rapidly changing EU legislation and data systems of the major customers complicates the marketing of new products.

Business environment analysis determines

1. Customer type, quantity of customer types and the criteria when purchasing

There are separate recognisable customer types in every branch. These types make their buying decisions according to their own needs. E.g. in the restaurant business there are 7 different kinds of customer types from a heavy eater to a culinarian. On the other hand, in the spare part shop business, quick service is central when buying.

2. Why, from where and how customers buy products and services?

A need to buy appears when something breaks, a man needs a present or he builds something, etc.

A man gets his products e.g. from retail shops, wholesale, mail-order business or directly from the manufacturer. The purchase might be based on competitive bidding or an annual contract, and then there might be just a single purchase per year.

3. Are the customers loyal and who decides what to buy?

It might be a certain family member, an administrative organ, a certain supplier, etc. How many purchases are there per week or year?

4. Is the customer buying behaviour changing?

Buying behaviour changes along with fashion and trends. It is common in a clothing branch that top fashion companies get new clothes even twice a week. When purchase loyalty weakens, there are different kinds of bonus programs to speed up selling. Public administrations take a lot of competitive offers from suppliers and they are well monitored. New co-operative purchasers and rings are continually established.

Competitors are an important part of a business environment

Competitors must be well known. Remember that there might be competitors who have not yet started their business yet. It might be difficult to recognise these competitors.

Competitor analysis determines

Competitors respond somehow to a new arrival. It is certain that they will try to disturb your success. Think how they will try to do it? The competitive situation and risks are clarified in the Swot analysis.

1. Who are your competitors
 - find out other companies in the field
 - find out all the information about them such as brochures, product samples, customer opinions order final accounts from the last few years from the National Board for Patents
2. What are the weaknesses and strengths of your competitors?
3. What are the prices of your competitors?
4. Are our competitor's business growing, remaining the same or reducing?

1.2 MISSION AND BUSINESS IDEA

A mission is a foundation for the company, to which all actions are created. The mission tells you at once:

- What company?
- What is the company's purpose?
- What kind of business does the company operate?
- What needs are satisfied by the company?
- What does the company do to accomplish its purpose?

EXAMPLE OF MISSION

Producer

Our mission is to produce sports and fitness products that enable everyone from the enthusiastic beginner to the professional athlete to achieve the best results and most enjoyment from their sports.

Every entrepreneur has a mission, but not all have written it down on paper

It is important that the mission is written and is constantly on display. Your customers and employees should also know the company's mission. A good mission is short, concrete and unambiguous. The best written mission is only one sentence long. You can write down your mission to the Business Plan formula.

Business idea

The business idea tells concretely how the mission is put into practise. Like a mission, also a business idea is recognised, but rarely written. Write also the business idea down on paper. It is checked annually when budgeting and thinking about business plans.

CONTEXT OF THE BUSINESS IDEA

Need / demand of the customer

Services and products must give benefits to customers. It must be a solution to a problem. The advantage must be real so that marketing is possible.

Customer Groups

Customer groups must be segmented carefully. Wide marketing to everyone costs too much and doesn't bring about a profitable result.

Image

How does your business look from outside? Your actions and working methods constantly create your image. The image has a big significance to defining your business actions.

Mode of Action

Solutions made in the competition are more often choices of mode of action. Products are often similar, so how you act plays a big role.

Resources

Even though all the elements mentioned above are well considered, the central part is resources. A company can't maintain eg. modern machinery, if there are not enough economical resources. Mental resources are also good to know, and admit the possible lack of resources.

Test a business idea

If you are planning a new business in your area, it is a good idea to test it. A good and reliable way to do it is to contact an entrepreneur in the same branch outside your area. Choose him so that he won't think you are a competitor. He will guide you, when you tell your plans openly. You will certainly get a lot of good advice.



1.3 MARKETING AND SALES STRATEGY

First of all, it is good to remember that marketing and sales are two different things. Marketing is the basis for sales, even though those are done by the same people. Marketing is not only creating ideas but more or less doing. Good ideas don't profit unless they are put into practise. Sales must be persistent and demanding. You never pay too much for a good sales person. The biggest problem in sales is getting a proper price. It is easily said that a customer won't buy due to high prices. The price is never an obstacle, maybe it slows the sales.

Take advantage of free marketing

Free marketing is usually done by the investors, municipality, suppliers, neighbours, relatives, own employees and of course customers. Good relationships to these interest groups are important. Local and free newspapers are happy to make an article about your business for free.

Use a professional to help when advertising

Along with free marketing, it is important to remember to use professional help when advertising and producing marketing material. Do nothing if you can't do the same as experts do. It is difficult to change images. If you don't have enough money to use professionals, use neutral solutions if you must.

Opening new business always interests

When opening a new business, the interest of local newspapers must be taken advantage of. When you plan the opening day, take into consideration the day when the newspaper appears, it is usually on a Thursday. The best day for press conferences and opening a retail shop is Thursday then the journalists have time to write an article. If there is local radio station, contact them also. If you produce industrial products or non-consumer services, it is better to keep a press conference when everything is in order to give an introduction. Write a press release to the press conference and explain the main issues, strengths and sales arguments of your business.

Creating a business image starts right from the beginning

The first impression is the most important. It is said that an opinion from a person forms in 30 seconds after the first meeting. That impression stays a long time and is usually correct. Customers and audience make also an opinion decision according to how the business and its representatives look like and how they perform.

Important apparent business signs are in this order of importance; business logo, business cards, clothing of the personnel, condition of vehicles and advertising taping, accompanying letter, packing note, billheads, stampers and envelopes. Also websites and e-mail domain are important when creating a business image.

Video advertising

Video advertising is a good way to generate sales, brand engagement or find new audiences who need your services. However consumers are increasingly exposed to video advertising on a daily basis. Therefore they have become adept at recognizing when a video is of poor quality. So it is advisable to use professionals if you can't make professional quality.

Printed brochures

Printed brochures will always be important even when websites have passed them in many business areas. Use a professional when making brochures. 1 to 2 years need of brochures is a proper amount when thinking of the circulation of brochures.

Find out the demand of markets

A basis for a sales and marketing strategy is always the demand of the market area, which is evaluated by products or product groups. When evaluating the demand, always consider the transition of demand because customers also buy products outside their own marketing area. On the other hand, customers from outside your own marketing area will visit your area.

Formula for sales target

Population of the target area/ amount of customers X average consumption/ person or customer
 = total demand of target area, from which
 - cut transition of demand to elsewhere (e.g. mail order)
 - add transition of demand from outside
 = reachable demand

When wanting a certain market share from the demand, you will get your sales target of your own business.

1.4 PRODUCTION STRATEGY

On a general level, entrepreneurship is producing and it doesn't matter if it is an industrial company or a company producing services.

Manufacturing can be done

1. By yourself from beginning to end
2. Using subcontractors as a part of manufacturing
3. Buying a finished product, when refining can be sales, installation and maintenance and their combinations

It is rare that the entire manufacturing process is in the company's own hands. Reasons for this are the lack of expertise, labour expenses and commitment of capital. Adjustable regulation of the amount of employees by manufacturing and demand can be difficult and changes must be predicted well. That makes hiring employees challenging. Using subcontractors is easier with industrial companies than companies producing services. Relationships between a main supplier and a subcontractor must be reliable because partnership often means revealing professional knowledge and customer relationships to a potential competitor. Therefore cooperation must be based on contracts, including restriction claims for competition and considerable financial contract penalty.



1.4.1 Business premises

First business premises are usually hired, because it is not good to bind capital to an expensive business premises. Free premises in your area can be asked about from a business advisor or real estate companies.

1.4.2 Investments

For investments, you need funding which can be done by capital investments by the owners or borrowed capital. With certain requirements, it is possible to have financial assistance from the state (local ELY Centre). These are paid after accomplishing the investments and after paying the bills. Useful funding can be leasing, partial payments or hiring. An advantage of partial payment compared to leasing is that VAT can be applied back for, if VAT is over 2000 €.

1.5 PERSONNEL STRATEGY

Along with the employer, employees are the most important resource. When hiring employees, always make a written contract of employment.

Written Contract of Employment

When making a contract of employment, it is reasonable to set a trial period and to ensure that the employee is a part of a labour union. It is important in case of possible lay offs. Details of contracts are found at the www.tyosuojeu.fi website.

Apprenticeship Contract

The possibility to make an apprenticeship contract is worth finding out about because the community and state financially support the hiring of employees. It is possible to have an apprenticeship contract to almost every branch even if the hired person already has professional training. Financial aid for apprenticeship contracts varies based on the age of the trainee, but is at its lowest approximately 400 €.

1.6 PRODUCT DEVELOPMENT STRATEGY

Continuing tightening competition forces companies to develop their products all the time. Ways of Product Development:

1. Product Development is active

With active product development, a company always tries to be a little bit ahead of others. Product development and marketing expenses are high which means higher prices. In the long run, continuous active product development will bring a marketing advantage when customers learn to know the company's product policy.

With new products there is a high risk of reclamation. Due to reclamation repairs, compensations and withdrawals can be too expensive or end up in bankruptcy. With careful protection of designs and possible patents, the life cycle of a new product can continue.

2. Product Development is based on quick copying

When copying, high product development expenses are avoided. On the other hand, then you lose an advantage of price setting.

3. Product Development is based on slow copying

When copying slowly, the advantages are to avoid faults of new products and reclamation, and also savings in product development. The disadvantage is the lowest price. When copying, you must consider possible protection of designs and patents.

When thinking of product development it is good to remember risks which grow by the pattern showed under

RISK 5%	RISK 5 % OLD PRODUCT OLD CUSTOMERS The old product is started to manufacture higher quantities to the old customer groups. The quantity of customers will rise, but the buyer group will stay the same. The risk of failure is 5 %, so the only risk is that the customers of the old customer group won't buy.
RISK 50%	RISK 50 % OLD PRODUCT NEW CUSTOMERS The old product is started to market to new customer groups. This product development strategy doesn't need anything else than that the old product must be some altered so it sells better. Instead market research and marketing requires a lot of work. Risk to failure is 50 %, so it is not highrisk.
RISK 80%	RISK 80% NEW PRODUCT OLD CUSTOMERS A whole new product is developed to old customers. This strategy requires an access to new technical innovations, or there is a possibility to create them. Innovations must also be altered by the way marketing research shows, and considering the company's present or improving capacity of manufacture.
RISK 95%	RISK 95% NEW PRODUCT NEW CUSTOMERS A new product to new customers. This needs a lot of work, because it requires an equal amount of research and planning than strategies A and B together because the risk to fail is 95 %.

Ways of Product Protection:

1.6.1 Product Protection

Protecting the product is very important in the present competition situation. The least you can do is apply for a trademark.

Trademark TM

Trademark is a symbol which separates products and services manufactured by your company from other equal companies. The National Board for Patents and Registration gives exclusive right to use the symbol. Only the holder of this certain registration can use the symbol in his business, and also forbidden others to use it also if there is a possibility to mix symbols.

Copyright of Design ©

This means a form of protection and it gives a protection against e.g. a copying. Practically it is quite easy to avoid.

A Utility model

A utility model (small patent) is a right of veto like a patent. A person who has a right of veto can deny others to use his discovery in their professional use. A right of veto is restricted regionally and it is valid in countries where it is applied for and it is given. It is also a valid for a certain time, often a maximum 10 years.

A Patent

A patent is an exclusive right admitted by the society. This means that the inventor must give permission to publish the invention itself. Patents are granted to inventions which can be industrially manufactured, is new and different from earlier similar products. It is country orientated. Applying for a patent and having it needs a lot work. It is useful to use a professional patent agency.

The following website gives more information: www.prh.fi/en.html

2. FINANCIAL CALCULATIONS

Accurate economical calculations are an important phase when evaluating one's own possibilities to succeed. Calculations must be realistic and preferably estimate expenses to be too high rather than too low. With the help of the Financial calculation, you can calculate the profitability of your business.

The calculation gives you answers to following questions

- 1) Where do you need money and how much, and where will you get the funding?
- 2) What are the costs of entrepreneurship?
- 3) How will sales be formed?
- 4) How will the money cover annual costs?
- 5) How much will the entrepreneur earn per year?

3. RISK EVALUATION

From an entrepreneur's perspective, the greatest risk is ending the business so that collaterals given for the company's loans will be taken away. There can be a lot reasons for ending a business. Risk management means recognition of risks and being prepared for them. The goal is to recognize and evaluate risks while also choosing the most appropriate ways to minimize them.

Ways of Risk management are:

1. Avoiding risk
2. Decreasing risk
3. Transferring risk e.g. by insurance
4. Keeping the risk on one's own account

After risk survey likelihood of risks and their affects if they appear are evaluated. If you discover risks that could be fatal to your business, you must avoid them and find security via insurance. The next chart will help to analyse effects of known risks and their influences to avoid the worst. Risk analysis shows that personal risks are greater than known and manageable risks. This is due to a lack of entrepreneur skills.

3.1 PROPERTY RISKS

Property risks are destruction of buildings, machinery and equipments. There are different ways to minimize damages. You will consider these ways during analysis.

3.2 PERSONAL RISKS

Personal risks are problems considering the supply of labour and labour stability. Due to a lack of labour, committing to too big of an order has destroyed successful companies. Other personal risks are occupational safety, employment security and stand-by crew arrangements. In this case, also the entrepreneur is the biggest risk him/herself. He/She should be careful and take good care of his work and leisure time safety issues.



3.3 RESPONSIBLE RISK OF THE PRODUCT

Nowadays, due to consumer protection law, consumers have an excellent and safe position compared to the manufacturer and seller. Pay special attention to safety issues because recalling products off of the market is expensive and might lead to bankruptcy. There can be big economical risks between companies, especially if the buyer, due to his size, has a better negotiating position compared to the seller. Problems accumulate fast when the buyer refuses to pay bills and contests works already done. Some of these problems can be avoided right from the beginning by choosing the right form of business or spreading the business to more than just one company.

3.4 OTHER RISKS

- Risks of operation interruptions due to fire, production machinery breakdowns and difficulties with raw materials. Insurance may only compensate fixed expenses partially during interruptions, but not damages in customer relationships.
- Risks of data security in business concerning information technology and the change of personnel to competitors or to starting a business in the same branch.
- Responsibility risks due to contracts.
- Risks of logistic, strikes, unique product breakage during transportation and ignorance of delivery clauses in foreign trade.

3.5 RISKS IN FAMILY CIRCUMSTANCES

Health and circumstances in one's family life can be a significant risk. E.g. divorce can end the business. According to Finnish legislation both parties have a matrimonial right to property. This right can be erased with a prenuptial agreement before and during a marriage. A prenuptial agreement does not give a right to donate property. With a prenuptial agreement, an entrepreneur can limit business assets outside the matrimonial right to property so that a business will be secured after a divorce.

4. VISIONS AND GOALS

Long term planning is common in business. However, this doesn't mean that the same person will practise the same business forever. There should be a vision, an approximately 5 year plan. The given goals help you to achieve them. A business without a goal or goals is much more difficult.

A vision is a view, like an illusion of how your business is doing five years from now

- A vision is usually a measurable achievement like a figure or a time limit
- To set a vision, it must be based on the starting level according to the situation at the moment

At the starting point of the business, it is good to define goals as an entrepreneur. Goals should not be only economical but there should be also other goals. Economical goals change depending on the entrepreneur and the business. Sometimes business is a way of life without bigger goals. Sometimes it is hoped to grow strongly and expand, then goals are e. g. attached to sales, amount of debts and profitability measured more than personal goals.

It is necessary to define the goals according to the customers, because the customer is actually the salary payer. The care of customers must be genuine, because it is much more difficult to get a new client than keep the old customer.

Goals attached to products and manufacturing show you how to manage in the competition. It is important to remember that products are sold at the price defined by the market and competitors, but the profit is made of purchases and with manufacturing efficiency. This goes for every field, because services are also manufactured. The product itself has a significant influence on the price which the customer is ready to pay. In the retail shop, manufacturing means also the shop milieu, the quality of furniture, display and so on.

Personnel is also one of the most important resources. According to statistics, the availability of personnel is decreasing, therefore a good personnel strategy is important.



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