

The purpose of a business plan business essay



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In most cases, a business plan is created to explain and illustrate the vision you have for your business, and to persuade others to help you achieve that vision. To accomplish this, your plan will need to demonstrate on paper that you have a firm visualization of what your business is going to be. It needs to convince others that your business concept can be successful and that you possess the expertise-alone or collectively-to assure that it will be both successful and profitable.

Why is it important

It is important to use a business plan when starting and running the business as it identifies the business aims and objectives, also it is important to have one as it will allow the business to go back and see if the business is progressing in the developing business and if the business is on the track to achieve the aim.

RANGE OF POSSIBLE IDEAS

I had many potential ideas of the businesses that I would like to set up in Lisburn. My most favourite ideas which I was considering to start up are:

Restaurant - In the current time in Lisburn there are several restaurants and there is no which serves multinational menus which include European, Asian and American foods. I believe that this business could be successful as many of peoples would like to try other nationalities foods. To run this business successfully I will have to create a very warm and welcome premise to which lots of peoples will be able to like it and. Also the service and food will need to be high quality so the customers will love to come back.

Advantages

Original menu as no restaurants serves the food I would

If the business will gain loyal customers the business will survive

Disadvantages

Risk of not getting into the taste of locals

Competition with well established restaurants

Unknown local supplier's product quality

Inexperienced staff

Sandwich bar – In modern days more peoples are buying ready to do foods such as chips, crisps, sweets which are bad for health. My idea is to let adults and children to have a healthy break time eating fresh ingredients and healthy sandwiches. To survive I will need to provide my business with the equipment such as Toaster, Micro wave, Panini maker, Serving Unit Hot/Cold, Grills, Till and much more.

Advantages

Disadvantages

Competition with well established businesses

Inexperienced staff

Unknown local supplier's product quality

Coffee shop – Many people are in the hurry in these days, where most of them don't have time to consume their breakfast at home. The coffee shop
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idea will allow to those peoples who have to travel long time to their jobs, to buy tea or coffee and the snack and consume on the way, this could save enormous amount of time if they could decide to do their lunch and coffee themselves. I will have to spend about $\frac{1}{4}$ of my budget on the equipment where I will need to buy equipment such as coffee machine, cups (glass and plastics), plates and more.

Advantages

Disadvantages

Competition with well established businesses

Inexperienced staff

Unknown local supplier's product quality

Ice Ring - Lisburn does not have many attractions in the city, so it could be a good idea to get everyone enjoy their afternoons on the ice cold ring. It could be a very good place to have fun with the family and friends away from their troubles. The business could survive as the only other attractions could be the swimming pool and cinema which are located in the city centre.

Advantages

Disadvantages

Expensive to run and insure

Lots of health and safety issues will need to be complete.

After concluding my potential businesses ideas I had rejected some of the ideas as there was the possibility that they won't survive the first year of trading.

This is the list in order of the businesses I want to operate. The first one is the business I am currently going for, the last one is the least possible for me to go for.

Coffee shop

Sandwich bar

Restaurant

Ice Ring

After knowing what business I am going to open I had thought about the name for it. The name that the most attracts my attention is CS. It is short and easy to remember which is excellent name.

LEGAL STATUS

There are several legal statuses available for my chosen business:

Solo trader – This is when the business is owned and run by one individual; however this is mainly the local business and will normally not expand on an international level.

Main advantages of a solo trader

- 100% of control over the business – it means that the entire business is controlled by one person only which is mainly owner.

- Quicker at decision making – it allows to easy and fast make decision as there is only one person whom make the decisions and don't have anyone to make the decisions.
- Can keep 100% of profit – if the business is well operating it even can make high wage and don't have to share profit with anyone.
- Local business, therefore loyal customers from that area – loyal customers may result in a consistent flow of money into the business.

Main disadvantages of a sole trader

- Unlimited liability – this may meant that the owner may lose his personal possessions because of the business depth and cannot pay it back.
- Heavy stressful workload – because it is a solo trader business it means that the one person has to do all of the activities which includes paperwork and more, which could cause stress, about not completing it and of the lack of time.
- Finance problems – because the business small and is financed by one person and maybe by a bank loan. The solo trader may face finance difficulties if the business will get into the debt.

Partnership – a partnership is when between two and twenty peoples own a business, as there is large number of co-workers each is investing money in to the business and share the profit or loses of the business.

Main advantages of a Partnership

- More peoples investing money – because there is many partners the large capital and large funds are raised quickly, this means that the business can easily and faster earn stable finance source than a solo trader.
- More ideas – because there is more than one person who owns the business, each has different ideas how to improve the business.
- Shared workload – as the business has more than one owners the workload can be easy shared between partners which decrease the possibility of stress.

Main disadvantages of a Partnership

- Disagreements – as each of the partners have different ideas to improve the business the disagreements can appear as other person doesn't like the idea which is currently discussed.
- Breakdown in communication – this can be cause when one of the partners will decide to go ahead with their own ideas, in which case may cause other departments become confused and may lose the communication between each other.
- Unlimited liability – if the business will be in the debt there is possibility the owners will lose their personal possessions to pay back the debt.

Over considering different legal status available, I decided that the most appropriate status for my business is solo trader. Despise of all the disadvantages. I had chosen this legal status for the reason that I can test my self if I can run business on my own. Also I had choose it for the reason

the I wont rely on any one with decision making and I will operate the business as I want. I did not choose the partner ship as we may have disagreements which may have effects on business which may lead to close down; this is the risk that I don't want to take, as I may loose lots of my money.

RESEARCH & COMPREHENSIVE ANALYSIS

The primary research that I had carried out was a questionnaire which I had held in the city centre of Lisburn. I choose this destination as this is where I am hoping to set my business. From the questionnaire I will receive the overview and the opinions of my future target market.

Primary research

The first question I had asked in the questionnaire was " What age group would you be in?"

Form this question I had found the majority of my target market would come from 18-20 age group. The second popular age group was 21-30age group and 31-40 age group as both has the same percentage.

The second question I had asked in the questionnaire was " How often to you visit coffee shop?"

The result was very interesting as 40% of people who had fill in this questinoaire had said that they are visiting coffee shops every day. The 28% said that they are visitgin coffee shop weekly.

I also asked if they would be interested if I would provide any refreshments such as sandwiches and fresh salad. For the pie chart I noticed that 72% of people think that this is a good idea.

As I know that they would like to have a sandwich and salad I had asked them how much they would like to be charged for them. I had allowed them to choose the costs starting from £1.50 up to £4+. More than 56% said that they prefer the price to be £2.50 as for this price the best ingredients can be purchased.

As there are many students living in the Lisburn I had asked people in their opinion would the discount for students encourage them to go to coffee shop. The 56% of votes said that they would be encouraged to visit the coffee shop.

Secondary research

The UK branded coffee chain market continues to expand rapidly, exceeding 3,000 outlets for the first time and an estimated £1.3 billion in turnover as UK consumers' taste for coffee bars continues unabated.

According to Allegria Strategies, the market is forecast to nearly double over the next decade to reach up to 6,000 outlets and turnover in excess of £2.5 billion within 7-10 years.

Growing at more than 15 per cent for the past eight years, UK coffee bar culture has extended well beyond UK's major urban centres and is penetrating smaller towns and the provincial areas due to phenomenal consumer demand and rapid opening programmes by coffee bar chains

Starbucks, Costa Coffee, Caffè Nero, Pret A Manger and others. Results from more than 6, 300 telephone and face-to-face interviews with UK consumers (the largest sample ever conducted in the UK) reveal that consumers are visiting branded coffee chains more frequently than ever before:

Coffee shops are now mainstream and form an important part of UK lifestyles with more than 11 million adults visiting coffee shops at least once per week and more than 20 million persons visiting the venues at least once per month

AIMS/OBJECTIVES OF A BUSINESS

An aim is a long term intention that business wants to achieve. All businesses have different aims and sometimes some businesses have more than one. To achieve the aims an objectives are set. Objectives are the goal outcomes or targets. Many businesses are using SMART method to set their objectives achievable.

Smart stands for;

Specific - they must set out clearly what a business is aiming to do.

Measurable - they must be capable of being met

Achievable - everyone involved in reaching the objective must agree with the objective and understand what is meant by it.

Realistic - the objectives must be achievable from the source that are available form and for the state of the market conditions

Time specific – the objective should state over what time of period the objective has to be achieved.

Many businesses create a mission statement, which states the purpose of the business and its values. It is meant to state both the aims of the business and to provide a vision of the business for the stakeholders.

The aim for my business is;

Achieve the loyal customers by offering an efficient and reliable service at a low cost.

The objectives for my business are;

Survive when I first start out

Get loyal customers and staff

To break even within the first year

Become market leader within next five years

PROMOTION STRATEGIES

Marketing mix refers to the primary elements that must be attended to in order to properly market a product or service. Also known as The 4 Ps of Marketing, the marketing mix is a very useful, if a bit general, guideline for understanding the fundamentals of what makes a good marketing campaign

Elements of the marketing mix are often referred to as ‘the four Ps’:

Product – A tangible object or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units.

Price – The price is the amount a customer pays for the product. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product.

Place – Place represents the location where a product can be purchased. It is often referred to as the distribution channel.

Promotion – represents all of the communications that a marketer may use in the marketplace. Promotion has four distinct elements – advertising, public relations, word of mouth and point of sale

This is the marketing mix for my business considering 4p's;

Product

The product which I am going to provide is a wide range of coffees, teas, snacks, sandwiches and fresh salads and fizzy drinks.

Price

Because of the recession not many peoples will allow them selves for the take away coffee. There fore I will need to sell my product in the lowest price as possible. All the hot drinks will be sold between £2 – £4, all the soft drinks £1 and the snacks, sandwiches and salads between £1, 50-£3.

Place

The premise which I choose for my coffee shop is located in the centre of the city centre. The premise which I found is for the rental purpose and costs £1,000 per month. This property has 2 floors with reasonable good sizes. The ground floor will be used as a main area of the shop where customers will be served and use the Wi-Fi, where as the first floor will be the office area.

Promotion

To promote my business I am going to use local news papers to advertise my coffee shop. To support my promoting method I am going to use leaflets which will be delivered by the local postman. The leaflet details will include the prices, available coffees types, and location and contact details.

LIKELY COMPETITORS

I discovered my likely competitors by doing research on yell. co. uk and from local knowledge.

There are four well established businesses which I will compete with for survival. This are;

Esquire's coffee shop

The house of Vic-Ryn

Street cafe

Coffee Inc

Each of those businesses are well established and have regular customers. Because all of them are mainly located in the city centre the competition will

be heavy on me as the premise which I will use for my business is also in the city centre.

SWOT ANALYSIS

SWOT analysis can be defined as a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

SWOT represents;

Strengths: attributes of the person or company that are helpful to achieving the objective(s)

Weaknesses: attributes of the person or company that are harmful to achieving the objective(s).

Opportunities: external conditions that are helpful to achieving the objective(s).

Threats: external conditions which could do damage to the objective(s).

Strengths and Weaknesses can be controlled within the business. It is up to the manager to deal with these at the right time and in the appropriate way.

Opportunities and Threats are out of control of the manager. They're therefore external.

This is my SWOT analysis for my business CAFE LATTE.

Strengths

Sit in facility

Wi-Fi facilities

Offering different types of foods and snacks

Located in the city centre

Weaknesses

Not well known

Competition with established businesses

Opportunities

Expand locally

Buy more spacious premises allowing being more welcome

Threats

Esquire's coffee shop

The house of Vic-Ryn

Street cafe

Coffee Inc

SECTION B

PHYSICAL RESOURCES

Physical resources are defined as resources that are available to business organisations in the form of buildings and other machineries which are needed for the day to day running of the organisation.

To smoothly operate my business I need meet physical requirements which will allow me to survive and operate my business. the equipments which I need for my business are listed bellow.

The equipment list

Item

Quantity

Unit Price

Total Price

Timing

Buy/Lease

Counter

1

£10, 000

£10, 000

Start Up

Buy

Seating (chairs and tables)

15

£8, 000

£8, 000

Start Up

Buy

Water boiler

1

£464. 13

£464. 13

Start Up

Buy

Coffee machine

2

£500

£1, 000

Start Up

Lease

Coffee (12 kg)

4

£60

£240

Start Up

Buy

Cookery

60

£329. 50

£329. 50

Start Up

Buy

Knives, forks and spoons

40

£50

£50

Start Up

Buy

Refrigerated display units

1

£2, 010.

£2, 010

Start Up

Buy

Cleaning fluids

6

£600

£600

Start Up

Buy

HUMAN RESOURCES

Human resources are known as people employed by a business. This means that human resources are the number of people working for the business.

The number of human resources is related to the business, for example a small business such as a window cleaning service has small human

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resources which may include two or five employees. The big international businesses on the other wise, such as Tesco, or Sainsbury are more likely to have thousands or even more workers.

Because my business is small and is just starting up I won't need too many human resources.

To be able to successfully operate the business I am going to employ 2 full time and 1 part time employees. Each employee will be required to have good communication skills and be able to work in the busy atmosphere.

Because I want to encourage my staff to perform on their best abilities I am going to award them by adding additional £1. 00 to theirs minimal wage.

There are several policies that I will need to take into consideration if I want my business to operate legally and satisfy my customers and staff.

Health and safety issue - is the most important regulation which I need to consider. I will be required to make sure that I will create a safe environment for my workers and the customers. If the accident will happen because of not making any health and safety requirements I can be sued which could cost me money and time, including it could reflect my business reputation.

Equal Pay Act, 1970 - Sex Discrimination Act, 1995 is another important law which I have to make sure I will consider within my business. When I will going to advertise my vacancy I cannot specify what sex I am looking for as this is how the law is broken. I have to make sure that I will give a fair chance for both sexes to try to apply for the job.

The National Minimum Wages Act, 1998 – this law simply clarified that people cannot be underpaid under the minimum national wage. There are three branches of this legislation;

Between 16 and 17 years £3. 57 an hour

Between 18 and 21 years £4. 83 an hour

22 and over £5. 80 an hour

Data Protection Act, 1984 – I need to consider this act in order to keep my staff and my business details safe. Because I will need to store the private and financial details I will need to make sure that no one unauthorised will have access to these details.

Disability Discrimination Act, 1995 – I need to make sure that I won't discriminate any employee because of their disability. I am not going to consider the disability in picking appropriate employee for my business. The only fair way is by picking the qualifications and experience.

RESOURCES AND QUALITY

CONSTRAINTS – LEGAL AND ECONOMIC

Pestle analysis is one of framework that categorizes environmental influences as political, economic, social and technological forces. Sometimes two additional factors, environmental and legal, will be added to make a PESTEL analysis, but these themes can easily be subsumed in the others.

Political influences – These refer to government policy such as the degree of intervention in the economy.

Economic influences – These include interest rates, taxation changes, economic growth, inflation and exchange rates.

Social influences – Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work.

Technological influences – new technologies create new products and new processes.

Legal influences – environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance.

Environmental influences – these are related to the legal environment in which firms operate.

For my business there are several constraints relevant to me are legal, economic, technical, and environmental.

Legal constraints – The legal constraints that will affect my business are regulations for a contract for example how long is the credit on it. Another legal constraint would be DPA (Data Protection Act) in the UK gives the right to individual to know which companies hold their personal details and they are allowed to ensure that the information is accurate. This data should be also being protected within the business to ensure no one unauthorised will access the personal details.

Economic constraints - due to the current economy it will be harder for me to get a bank loan. Also because of the recession not every one will be able to afford the take away or sit in coffee.

Technical constraints - I will need to make sure that all the

Environmental constraints - as I will provide a take away service I will provide with recycle cops which will be easily recycle and good for environment. Also I will provide customers with business plastic take away cups with the lids which will allow them to use it to refill.

SECTION C

SOURCES OF FINANCE

There are different sources of finance I can use to finance my business.

Those sources are;

Money from family or friends - because I am a sole trader I may be able to borrow money from family or friends without paying interest, which would be very beneficial for me.

Bank loan - another way to finance my business I may use a bank loan.

Loans from a bank or a building society can be expensive as they will include the interest. An agreed amount is borrowed and repaid over a fixed period of time with interest.

To start up my business I am going to use the £10, 000 that I was left by my grandparents. Although my physical resources of total of £22. 694. I decided that I am going to take a bank loan. The loan which I will take will cover both

my start up cost and running costs. I am hoping to get a loan that will be for 4-5 years which also will cover the unexpected expenses.

The loan which I choose is Platinum Loans. I got a loan for £30, 000 and will be repaid by 5 years. The monthly amount to repay is going to be £601. 63 and the 7. 8 APR which I total I will need to repay £36, 098.

FORECASTS: CASH FLOW AND BREAKEVEN

SUSTAINING IDEA

After analysing project figures and the information that I had gathered I can say that the business will make profit within the first year.

If I would considering expanding my business locally in the future I will need to consider all the major expenses to pay. Into these expenses I am considering a bank loans which will be repaid within 5 years and capital purchase.

After two or more years of trading the external factors will need to be considered, as they may change the impact on the business. Those external factors that would change are due to Political, Legal, Social and Economic influences

Political influences

Legal influences

Social influences

Economic influences

SECTION D

BREAK EVEN ANALYSIS

Most of the businesses frequently want to know the amount of the business need to produce or to reach break even. If the business has collect the information about fixed costs and variable cost and what process it is going to charge, it will allows to calculate how many units will be required to sell to cover all of its costs. The stage of sales or outputs where total costs are exactly the same as the total revenue is called a breakeven point.

There are several uses of the break even and the most common one which are used by almost most of the businesses are based on:

Calculate in advanced the level of sale needed for break even

See how changes on the in cost affect the break-even point and profit

See how effect in output affects profit.

To calculate a break even point I am going to use following formula;

$$\mathbf{BE = SP - VC / FC.}$$

(BE- Break Even, SP – Selling Price, VC – Variable Cost, FC – Fix Costs).

I also used this formula to draw up business break even point graph what will show exactly how much units needs to be sold to break even.

Selling price

Is the price that a unit is sold for. Sales Tax is not included the selling price and a sales tax paid is not included as a cost.

The selling price of my products is 2, 50 per unit

Variable cost

Variable costs are costs directly related to production units. Typical variable costs include direct labour and direct materials.

Coffee, Cups, Lead and Sugar the total of those materials is 0. 40 per unit.

Fix costs

Cost that do not change when production or sales levels do change, such as, rent, property tax, insurance, or interest expense.

The total fix cost is £55, 934

Break even calculation

$$BE = \frac{2.50 - 0.40}{55,934}$$

$$BE = 26,636$$

This is the graph which shows the break even unit point. As you can see to break even I need to sell 26, 636 units of coffee in a year. To get more specific figures that 2, 220 coffees a month, which I think is achievable.

£ 0

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RATIO ANALYSIS

EXCLUSIVE SUMMARY

The business that I had decided to set up is CS which will be located in ---- in Lisburn. The opening hours will be 8 am to 5 pm form Monday to Friday and 10 am to 3pm in Saturday and Sunday.

Products

The products that my coffee shop is going to sell is a wide range of coffee, teas, snacks, sandwiches and fresh salads and fizzy drinks. All the foods will be home made which will

Employees

I am going to employ two full times and one part time employee. Each of the employees will be paid £1 over their minimal wage, which will allow me to motivate them.

Finance

Because £10, 000 which I got from my grandparents will be not enough to start the business I will take the loan. The amount I am taking is £30, 000 which will be repaid over 5 year time.

Competition

Esquire's coffee shop

The house of Vic-Ryn

Street cafe

Coffee Inc