

# Business plan for start-up



The business Plan.

### **Synopsis.**

For this assignment we as a group have been asked to produce a business plan with supporting analysis and justification. The aim of the business plan is to focus on convincing the company stakeholders of the viability of your company start up. The justification includes evidence relating to the rigour of the product selection and the content of our plan.

### **Introduction.**

A business plan is a written documentation of which describes the business, the objectives of the business, its strategies, the market of which the business is in and the financial forecasts. The business plan has many functions, from securing external funding to measuring the success with the business itself.

It essential when starting up a business for a business to have a realistic working business plan.

Our business plan is a statement of intent and provides details on how we as a company are going to develop our business, when we are going to do it, who's going to play a part and how we as a group will manage the money.

The Business Plan.

### **The executive summary:**

Our company is a Young Enterprise company trading in imported and homemade products for the product market. We as a company aim to produce and sell a variety of greeting cards and candles of which are

homemade to the general public. An aging population will enhance demand for specific card types. The types of cards that there may be an increased demand of cards that there may be an increased demand for include:

- Retirements
- Anniversary
- Birthdays
- Christmas
- Easter
- Valentines Day, mothers and fathers day cards

Handmade cards are likely to continue growing in popularity as card sender seek more and more to express their own individuality.

### **The business, its products and services:**

#### **The business.**

ASGO4 is a unique candle and cards selling company we offer a variety range of products which include all sorts of various candles and cards for any all kind of special occasions to meet all needs.

The company ASGO4 consists of 5 dedicated members who aim to grow this company to achieve a successful business.

#### **Product and services.**

We have a wide range of cards to suite various needs and for all special occasions, i. e. birthdays, anniversary's, valentine and exams.

Exam congratulation cards and best wishes for courses can have a wide range of market; these cards will have a good selling point within Staffordshire University.

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(Refer to appendix 1.)

### **Competition comparison**

ASGO4 products contain many features that distinguish them from those produced by competitors.

- ASGO4 products are handmade and are to suite all special occasions.
- The quality of the candles and cards are produced at a magnificent level, even to the untrained eye, which makes ASGO4 products more realistic.
- ASGO4 are unique and offer a wide range of candles, not many similar products is available in the domestic market.

### **Technology**

ASGO4 products are mainly handmade some of the products produce by, ASGO4 will be provided by wholesalers, these products that are produced by wholesalers will be produced at a professional level.

### **Future products**

ASGO4 aim to turn into a successful business, by providing a wide range of candles and cards to meet all requirements. The candles that are provided by ASGO4 have a potential market, as they can be used for many special occasions.

### **What benefits its offers.**

ASGO4 products offer great benefits to its customers because what we provide to you cannot be provided to you from else where.

Customers would buy our products because our products are different compared to what's already available on the market, so this makes ASGO4 more appealing to its customers.

### **Product facilities**

The main facility, we will use is the market store, within our market store we will have a wide range of space to display our products, we will use tables and colourful table cloths which we will hire, we will use the table cloths to make our tables of display colourful and appealing.

Some candles and cards will be hand made by the members of the ASGO4, but these will be simple products, we will do this simply to widen our range of products.

### **Information technology**

Information technology is of a part of the almost every business day to day life. We will use a promotional information technology tool which will be done by one of our class colleagues, he will promote our company ASGO4 and this will create awareness of our company, what we offer and where we are based in Newcastle.

### **The markets and competitors:**

There are a number of competitors of which we have to consider, the types of candle competitors of which we have to consider are:

- Johnson Wax – Glade – known as air-care candles.
- Bousius (UK) Ltd.
- Dane.
- Yankee Candle Ltd.

- British Candlemakers Federation.
- Colony Gift Corporation Ltd.
- Prices Patent Candle company Ltd.

The types of card competitors of which we have to consider are:

- Birthdays.
- Clintons.
- Hallmark.
- Card Factory.

### **Marketing and sales:**

#### **Market Segmentation**

##### **Enhancement candles – unscented**

Retail sales of unscented candles were £48 million in 2000, a rise of 27% over 1996. They account for 50%, by value, of the enhancement sector, compared with a share of 62% in 1996. Figure 7 provides trends since 1996. Growth within the unscented candles sector is decelerating, as purchase of scented candles becomes more popular. Unscented candles include coloured household candles, which can be used as ornaments as well as for lighting. Many are purchased to match household décor, as well as to create a relaxing ambience during dinner parties.

##### **Enhancement candles – scented**

It is the fragranced candle sector which is fuelling growth within the candles market overall. Retail sales of scented candles are estimated at £48 million for 2000. This demonstrates a rise of 106% since 1996. Scented candles account for an estimated 34% of the total candle market and 50% of the enhancement sector by value.

**Functional candles – tea lights**

Tea lights have reached the mature stage of the product lifecycle, being one of the first candle variations to be introduced into the UK after traditional white household candles. For this reason, value market growth is set to slow over the next few years, although they remain popular as they are so versatile. In 2000, tea light sales were £27 million, a 10% increase on 1996. They accounted for some 19% of all candle sales in 2000, which is a decline of 6 percentage points since 1996, reflecting a drop in price points rather than usage.

**Emergency candles**

Retail sales of emergency candles (primarily white household candles) are declining slowly and were £4 million in 2000. This compares to almost £7 million in 1996. Mintel 's consumer research indicates that as many as 18% of housewives had either bought or received white household candles within the six months to January 2001, although not all will have been bought for emergency use only. Figure 10 demonstrates trends since 1996.

**Air – care candles**

Air-care candles designed for freshening air/masking odours are increasing in popularity. According to Mintel 's consumer research, around a third of housewives use candles as air fresheners in 2001 and one quarter claim to have bought or received scented candles made by air freshener companies. The air-care candles market was worth £14 million in 2000, almost three times the value of 1996 sales. It is still at the growth stage of the product lifecycle, with many of the products being relatively new. Figure 11 provides trends in the air-care candles market between 1996 and 2000.

## **Target market segment strategy**

### **Target market: Enhancement candles – scented**

Scented candles have experienced a considerable growth in popularity since 1998, with 63% of housewives having purchased or received them during the six months prior to the survey. This reflects trends within the market place generally. A quarter of candles purchased or received are scented.

Consequently, our company aims to import and sell scented candles since the scented candle is the most popular and profitable candle category so far.

## **Candle industry**

### **Major factors influencing the market**

The candles market is influenced by a number of factors. Purchased primarily by women, the growth in the number of women working has impacted positively on candles sales, because of a subsequent increase in discretionary income and financial independence.

There has been a shift in lifestyle patterns, with a growing trend towards alternative healthcare and aromatherapy, and a revival in the popularity of pot pourri and incense, all of which have had a positive influence on candle sales, especially within the fragranced sector. There are also seasonal variations, with garden candles naturally performing better in the summer during usage of barbecues, or Christmas candles with special Christmas colours and fragrances for the Christmas period.

Changes in the age structure of the population have also served to boost sales of certain candle types. For example, the young age group has expanded, boosting sales of the more fashionable floating candles which have a high purchase rate among this age group.



**Industry participants (Main competitors)****Colony Gift Corporation Ltd**

Colony Gift Corporation is the UK's leading quality candle manufacturer and claims to be the largest producer of scented candles in Europe. Colony's turnover in 1999 was £22 million, up 21.5% on 1998 turnover of £18.1 million. It employs more than 460 people and its brands are available in over 70 countries.

**Price's Patent Candles Company Ltd**

The company produces candles and related accessories. It offers a wide range of candles for all occasions, including: scented and aromatherapy; outdoor lighting; Christmas and Easter; as well as decorative candles and the more traditional church-style candles.

**Yankee Candle (Europe) Ltd**

Yankee candles are positioned as premium-quality, giftworthy candles for the purpose of home fragrancing. Fragrances are numerous and include sage and citrus, spiced apple, honeysuckle, French vanilla and spiced pear.

**Bolsius (UK) Ltd**

Bolsius (UK) Ltd is owned by NLD Bolsius International BV. The company has been active in the UK for over 15 years. Only about 40% of the company's output is sold through retail outlets, while approximately 25% of sales are to religious institutions and 35% to the catering trade.

**Johnson Wax**

Johnson Wax is owned by the US company SC Johnson & Son Inc and is a major player in a number of household goods products, notably household

cleaning agents and polishes. The company leads the air freshener sector, with most of its marketing effort placed behind the Glade brand.

(Refer to the business justification Ansoff product/market matrix and Boston matrix to assess marketing and business development strategies).

### **The team skills:**

Within ASGO4 there is in total five dedicated staff members of whom all have different roles within the business itself. Below is a list of the roles each of the staff members have and also entails a description of what they are responsible for within the roles and what types of skills are required for each of the roles:

Team skills should identify the strengths of the teams & the plans to deal with any obvious weakness.

### **Leadership.**

Managing director is ultimately responsible for the other members of staff, shareholders of the business; the managing director needs to exercise all of the leadership skills as well as diplomacy fairness & strength. A managing director is responsive for encouraging teamwork.

### **Administration.**

Company secretary – are responsible for the co-ordination, communication & organisation of all the areas relating to our company ASGO4. The specific roles of being the company's secretary include the following

- Completing registration documents
- Keeping the share register

- Keep records
- Administrating company meetings
- Organising agendas & minutes

**Finance.**

Finance director is responsible for financial & resource management, it is the job of the finance director to keep track of the money and also need to plan, know and record where the money is coming from, who's got it and where its going.

All financial transitions should be recorded by the financial director and to communicate financial progress to members of the team. Other roles of the financial director includes doing the banking and work a alongside with the company secretary on the company share and responsibilities to shareholders.

The financial director is also responsible for calculating and paying the young enterprise and corporation tax.

**Marketing.**

Marketing director need to use their innovation and creative skills in taking a key role in identifying market and opportunities as well as defining product or service charlatanistic. The main responsibilities include PR and advertising for the company, as well as carrying out market research and customer observation to help to maintain customer satisfaction.

**Operations.**

Operations director are responsible for product and service development, their role is the ensure that a method of operation is decides and organise

the production of the company products and service, an operations director is responsible for purchasing raw materials, stock, supply and demand of finished items. Health and safety of the other staff members and customers should be one of the operation director concerns.

**The operation:**

ASGO4 will buy candles from its wholesalers and then put its products on the market, we will use a market store in Newcastle market, and we will display all our products there within the market.

Newcastle market is amongst one of the biggest markets in Stoke-On -Trent, so this enables us to target a wide range of audiences this will make our products more appealing as there are huge crowds in the market that we could attract.

The main advantage of our locations is that as Newcastle market is one of the busiest markets to people from all background and different social class attend this market and this is a great opportunity to take advantage of this because we will have a wide range of audiences.

**Financial forecasts:**

After financial forecast, such as cash flow and Profit and Loss Account, we have just started our business – ASG04. And we are only preceded in one month preceded – January 2005. Our business is running slow. So, it will take time to pick up. We have a good target market in Newcastle market. We have a wide range of target range in this aspect. Newcastle market is amongst one of the busiest open market in Stoke-On-Trent.

We only have a few expenses, such as motor petrol, premises and equipment hire. As our expenses are very low, this allows us to increase our profit margin. Because of low expenditure, we have a low cost that means our price of product will not be set very high. Our business will have enough working capital to survive because of our low cost.

We intended to raise a huge amount of money as our product attracts a wide range of target audience. We expect to make a substantial amount of profit as we proceed without business.

(Refer to appendix 2.)

### **Business Justification.**

A business plan is produced to convince shareholders, banks to invest into our business. The concept of the business is purchasing pre-produced products i. e. candles and some cases producing products. The products that will be sold will be aimed to various age groups. In order for the business to see success and make a profit it is important to ensure that costs are kept to a minimum. the business will focus on selling various types of candles i. e. scented, unscented, floating etc. our products bought from manufactured will not be sold as they are, they will be bundles and sold as gift packs for example. This methods makes the product unique and be able to make a profit. For example, 1 large candle will cost the business approximately 60p. If the product was sold as apart of a set of various candles i. e. sizes, colures and sold for £5. 00. This one candle may make a profit of excess of £2. 00.

Researching into this product and market is important, so the company is able to forecast its success. It is clear there is a market for this product. The

correct location is also important. As the products will be sold on a market stall, our company will see less overhead costs compared to high street stores.

Above shows a table showing the sales of scented candles between 1996-2000. This information is important so that company is able to see the changing trends over time. Un-scented candles are not as popular as scented candles. These products often uses to create a desired atmosphere and also used for show. Increasing sales can only mean that there is a demand for these types of products.

This project has no major overhead expenses. Our main expense will be renting the stall that will cost approximately £16 per week. As no other major resources are required for example water, electric, our costs will be kept to a minimum and be able to transfer bargains to our customers. Analysing the business plan there is a big chance for success with this project. Sales for these products are increasing every year and the public are looking for new products to buy. Demand for candles are created by women and often purchased more by women. With busy, stressful lifestyles combined with working, looking after families has created an environment for candles.

The below illustrates UK manufacture sales between 1996 and 1999. It shows that there is a drop in sales in the UK. In 1999 it shows that sales were down to £1. 57 per candle.

Source: candles UK April, 2001

**Ansoff's product/market**

The Ansoff's product-market matrix helps to understand and assess marketing or business development strategy. ASG04 is able to use Ansoff's product matrix to see what mix strategic options to use. Product development is developing or finding new products to take to an existing market. This is a strategy if the company has a strong market share in a particular market. Developing products are often a very expensive process. In this case, ASG04 does not have any market share, but with the product being sold are in demand and play apart of the market share in the UK. A business should try not to have any Dogs, but focusing on cash cows, problem child and stars that need to be kept in a kind of equilibrium. Funds generated by cash cows are used to turn problem child into stars that may turn into cash cows.

**Boston matrix.**

The Boston matrix model is a tool for assessing existing and development products in terms of their market potential. Our products lay between stars and soon to be turning into cash cows. The market already exists and has various types of candles that are sold. ASG04 is purchasing ready produced candles and developing them by making them more appealing to the public to buy.