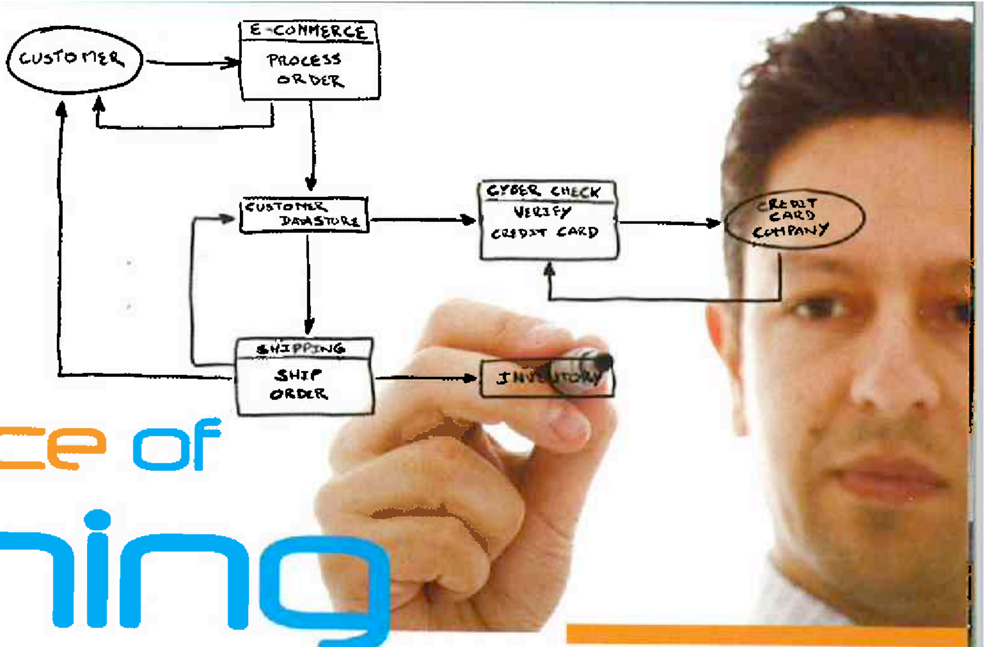

The Importance of Planning

By Butch Mawdsley

"Once you truly understand your market you will be in a position to estimate your expected sales."

Most businesses begin with a hiss and roar, fully pumped with adrenaline and enthusiasm, ready to set the market alight. This feeling is often so strong it can carry the business through for a year, or maybe two until reality sets in: - *no cashflow!*

What most businesses fail to consider when they start out is that the only way to succeed is through a planned and carefully thoughtout process. I always advise my clients that "no business plans to fail, they fail to plan". Running a business without a strategic plan is similar to airline passengers boarding an aircraft and being told by the captain that he knows where the destination is, he just has no idea how he's going to get there - *cue panic!*

Whether you have a new business starting out, or one that has been running for some time, you should seek advice and complete a comprehensive strategic plan for your business. This plan then needs to be reviewed at least once a year. You can start with an elementary market survey to establish whether your product or concept is saleable.

Remember that;

Sales
= Vanity

Profit
= Sanity

But

Cashflow
= Reality!

This means determining what your target market looks like. What are your target market's demographics, such as age, gender, income and their psychographics such as values, behaviours and motivations? And most importantly, will you be able to sell your product or service to them?

Once you truly understand your market you will be in a position to estimate your expected sales. This is the cornerstone of a comprehensive business plan which should include related product costs and the fixed overheads required to run or maintain your business.

As many business advisors say, "what you can measure you can manage". The easiest measurement for any business is what flows through the bank account.

For example a café setting up shop would have to first find out how much coffee they could sell, then work out what else they could sell in addition to the coffee. From there they could calculate the costs of goods to be sold from their costed out menu plan. The difference between these gives the contribution towards overheads – if the contribution is greater than the overheads then we are in profit. The business owner would then be able to set their sales target based on the contribution that they want to have over and above what is required to cover costs or 'breakeven'.

Once you have a solid plan in place, you also have a benchmark on which you can measure your performance for the current year, as well as the basis to introduce future improvements or changes. ■

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