

Importance of planning

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By Butch Mawdsley



Most businesses begin with a hiss and roar, fully pumped with adrenaline and ready to set the market alight. This feeling is so strong that it carries the business through for a year maybe two and then the 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 thought out process. I always advise my clients that "No business plans to fail, they fail to plan". Running a business without a plan is similar to passengers getting on 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 – panic!

Whether you are a completely new business, or one that has been running for a while you should seek advice and get a comprehensive plan for your business and review this at least once a year. Begin with an elementary market survey to establish whether the product or concept is saleable. This means that you will have to determine, what your target market looks like? What are their demographics such as age, gender, income and their psychographics such as values, behaviours and motivations?

Identifying who your customers are is a vitally important step in the sales and marketing process as it enables you to decide who you are going to focus your marketing spend and activities on that will give you the biggest return.

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

As they say- "What you can measure you can manage." The easiest measurement for any business is what flows through the bank account. Therefore cashflow management is vitally important. In this plan you have the ability to map out when you expect to get paid for a certain job, allowing clearer management of your cash.

For example a café would have to first find out how much coffee they could sell, then work out what else they could sell in relation to the coffee (eg muffins, sandwiches etc). 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 the business is profitable. 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 'Break – Even'.

To survive in business and to make a profit you need to obviously do more than just break even. A comprehensive plan allows you to work back and map out the steps so that you know just how many sales you need to make, how many leads you will need to generate so that you can determine the actions that you will need to take to ensure that you achieve your set goals.

Once you have a plan you also have a benchmark with which you can measure your performance for the current year and the basis to introduce future improvements or changes. Just remember that:

- Sales = Vanity
- Profit = Sanity
- But Casflow = Reality!

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