

# INTRODUCTION

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The good action plan gives the way to success to the small enterprise working in the field of retail trade. This issue supports the owner-manager in development of a sustainable business-plan.

In order to prosper in business you should ask following questions:

- ❖ What business I am working in?
- ❖ What goods I sell?
- ❖ Where my market is located?
- ❖ Who will buy my goods?
- ❖ Which are my competitors?
- ❖ What is my sales strategy?
- ❖ Which commercial methods I will use?
- ❖ How much funds are needed to manage my shop?
- ❖ How I will do my job?
- ❖ What kind of management is necessary? What are to be its objectives?
- ❖ When should I revise my plan?
- ❖ Where to search for assistance?

As an owner-manager you should answer these questions when elaborating the action plan. This issue is a combination of text and analysis proposed so you are able to use the information from your researches to prepare the plan.

## ***What is an action plan?***

The success of your company depends mostly on your decisions. The action plan determines the funds and assesses the results of your activities supporting you to mark out realistic objectives and take adequate decisions.

### ***What for I need an action plan?***

You can think "Why should I waste my time in elaborating action plan? What do I need it for?" If you have never did such a plan, you are right to know what are the possible benefits before do it. Firstly you should remember that the lack of planning makes you poor prepared to foresee future decisions and actions needed for the successful proceeding of your business.

The action plan offers a lot of benefits. For example:

- It gives you direction that you could follow.
- A plan with certain objectives and tasks allows you to lead your business in confused and often unpredictable economic conditions.
- The plan gives the bank you work with an understanding about the situation and direction of your business so you can easily obtain a loan.
- The plan could show your sellers, providers as well as every interested stakeholders what are you doing and what are your objectives.
- The plan could assist your improvement as a manager. It could enlarge your practice in considering and solving problems related to the competitiveness, opportunities for sales boost and situations concerned that are positive or negative for your business. Such practice for a longer period could increase and improve your capabilities for effective decision making.
- A successfully prepared plan shows you what to do and how to do in order to achieve the objectives you put before your business.

### ***What kind of business I work in?***

The first question you should take into consideration when preparing your action plan is the type of business you work in. Initially this could sound a little bit stupid. "If there is only thing I know, this is the type of business I work in" - you tell yourself. Wait for a minute and think about. Some owners-managers have failed as other wasted their savings only because they did not determined in details the type of their activity. A clear determined field of business activity should not just assist your planning, it also could bring higher profits.

Consider the following example: Mr. Jett from the East Coast maintained a dock, as well as sold and rented boats. He considered his business as a shipping business. But when he had financial troubles and searched for external aid, he understood that his business is not just a shipping business. Mr. Jett had a restaurant with a coffee shop where there also was a food for the people who are boating. He also was in the business with real estates as he bought and sold land. He repaired boats finding parts and hiring a mechanic when necessary. Mr. Jett tried to deal with many things simultaneously and could not decide where to invest and what profit to expect. The limited resources he had at his disposal were too fragmented.

Before to have a profit from sales and return back his investments Mr. Jett should decide which is his main activity and focus on it. After a detailed research he understood that he should keep on buying, selling and maintenance of boats.

Decide what is your business and write down on a paper. In order to take a decision, think about the answers of following questions What are you buying? What are you selling Which of your goods are the most profitable? What people are asking you for? What are you trying to do better, more or differently than your competitors?

## MARKETING

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When you decide what is your field of activity you are ready to take note of another important part of your business plan - the marketing. The successful marketing starts from the owner-manager. You should be familiar with the goods you are selling as well as with the needs of your customers. The objective is to sell what you trade, to find appropriate price and gain money.

The text below as well as the working schemes will assist you to prepare a marketing plan of your shop.

### *Determining the selling opportunities*

In the retail trade the selling potential depends on the location of the shop. The shop, such as a tree, feeds from the environment. In order to deal with the finding appropriate location you should answer one of the following questions: In which part of the city of the settlement you intent to locate? In the commercial part? In the area just next to the commercial part? In the residential area? On the highway out of the city? In the suburbs? In the Trade center in the suburbs?

Mark on a working paper where you intent to locate your shop and the reasons for this choice.

Now you take into account the following questions that will assist you to determine the exact location in the area or the district you have chosen <sup>1</sup>. What is the competitiveness there? How many shops there look thriving? How many are living on the edge? How many similar shops have failed during the last year? What is the level of prices? Which shop or shops in the area will be your main competitors?

Write again the reasons for your opinion. Also prepare an analysis of the economic basis in the area and give the motives. Does the area where you intent to settle has a solid

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<sup>1</sup> Local Chamber of commerce could have information about the number of population in your area. Other statistic sources related to the marketing are the trade associations and address books.

economic base? For example - do the enterprises around work full time or part time? Are some of them bankrupted or moved in the last few months? Are new job places planned to be opened?

When you find a premise that responds to your needs, answer the following questions: Is the district going to decline? Are the surrounding buildings new and is their number increasing? Are any main roads or connections planned to be built? Is the traffic heavy all the day? Do the passers look like potential customers? How close is the building to bus lines and other transport facilities? Is there a parking near your shop? Are the sidewalks in good condition (you should have to repair them)? Is the street lighting in good condition? Is your shop located on the sunny side of the street? What is the background of the tenants of the building? Are there any bankrupts? (whether shops have been opened and closed in short terms?). Why other have failed on that spot? What is the physical condition of the shop? What kinds of services does the owner of the building offering? What are the renting conditions? What is the monthly rent? Consider the gross annual sales that you are expecting to make on the spot.

When you consider that you solved the issue with the location of the shop, ask your bank officer to recommend you people that know more about the appropriate work places in your field of activity. Contact these persons, listen to their opinions, consider what they say and then you can take the final decision.

### ***Attraction of customers***

When you have in mind any appropriate location for activity, you should note another aspect of the marketing. How you will attract the buyers in your shop? How will you go ahead of your competitors? Very few retail traders discover a number of benefits developing this marketing point. The ideas they apply in practice sometimes are better than these of the large enterprises. Following work schemes are proposed in order to assist you to think about your policy in the field of customers services, advertising, pricing and the image you create in the people.

### ***Your image***

Every shop creates certain feeling about itself. For example - just pile the goods on the shelves and stands in a dirty, poor lightened shop and people already think about it as something dirty and second handed thus avoiding to visit it. The same goods, exposed in bright and well sorted shelves could create a "high tech" image.

Your image should be focused in a way to assist your advertisement and other related activities for attraction of customers. For example, the image of a small restaurant could be created from a "homemade food".

What is the image that you want buyers and customers to have about your shop?

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### ***Pricing***

A shop could maintain low prices by selling cheap goods. Therefore what you do for the pricing depends on the goods you buy and sell. Pricing is influenced also by the value of that you buy and sell. Pricing is influenced also by the value of products in the shops of your competitors. The answers of the following questions should help you to decide what you should do to determine the prices.

In what price ranges you sell your goods?

High \_\_\_\_\_

Medium \_\_\_\_\_

Low \_\_\_\_\_

What services will you offer to justify your prices if they are higher than in your competitors?

Will be the sales only in cash? How much will cost a terminal for payment with bank cards? Should you increase the initial price of the goods in order to neutralize costs?

### ***Customer service policy***

The services you offer could be free of charge for your customers but are to be paid by you. For example - if you offer free of charge parking you should pay for your parking places or share the costs with other retail traders.

List the services that your competitors offer and calculate the price of each. How many of these services you should provide in order to be able to stay in the market? Are another services that could attract customers and competitors do not provide? If so, calculate the price of each. Now list all services you plan to provide as well as the expected costs. Summarize these costs and see how they could be included in the prices of the goods so they not to become uncompetitive.

### ***Who are your customer?***

- Describe your typical customer.

Age \_\_\_\_\_

Male, \_\_\_\_\_

Female \_\_\_\_\_

Both male and female \_\_\_\_\_

Number of family members \_\_\_\_\_

Place of residence \_\_\_\_\_

Buying habits \_\_\_\_\_

Reason to buy from you \_\_\_\_\_

Other information \_\_\_\_\_

- Describe geographically your commercial area (district, region).

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- Describe the economic status of your commercial area (number of unmarried, average incomes, total number of children).

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### ***Advertisement***

The advertisement is left for the end after you have created certain image, determined the level of prices as well as the services that are to be provided to the customers. Now you are ready to say the potential buyers why they should buy from your shop.

When the funds for advertisement are limited, it is very important it to be focused in the right way. Before you decide how much funds you could allocate for advertisement you should determine the objectives that you would like to achieve by this action. What are the strengths of your shop? Which makes it different from the shops of your competitors? What information about the shop and goods in it you would like to offer to your potential customers?

The decision how to use the funds for advertisement is yours. Be careful not to be caught in a bind such as some retail traders that have small or no experience in the selection of advertising methods and appropriate environment. Look for a professional advice related to the quantity and type of your advertisement that your shop needs.

Use the following work schemes in order to determine the type of advertisement you need.

Advertising working block

Type of advertisement	Number of people that understand it	Frequency of use	Single price	Calculated price
_____	_____	_____	x BGN _____	= BGN _____
_____	_____	_____	x BGN _____	= BGN _____
_____	_____	_____	x BGN _____	= BGN _____
_____	_____	_____	x BGN _____	= BGN _____
			Total	BGN _____

When calculating your costs in this field for the next 12 months, compare them with the funds that similar shops are spending. The commercial associations and other organizations often collect data about the price of advertisement as current ratio (costs as a percent from sales). If the expected cost for advertisement is significantly higher than the average for your type of goods, you should revise everything again. If you want to profit no one item of costs should be higher than the necessary. Your task in determining how much to spend for promotion of your activity boils down to the question "How much money could I invest so the objective to be achieved?"

***Stimulating the sales in the shop***

In order to finish your work related to the marketing think what the potential buyers would like to do after entering your shop. The purpose is to sell the goods and satisfy the customers. You would like them to come back as this will bring a profit for you.

With this regard, if you decided to sell only in cash, revise one more time this strategy. Do not ignore the fact that the Americans like to buy by credit cards. Often there is a need of credit card terminal or other system for attraction and keeping customers. They will be sure and will feel comfortable in your shop if they know that they could buy. The credit gives this opportunity.

In order to encourage the people to buy the self-service shops rely on well ordered and attractive shelves as well as on the signs and clearly noted prices on the goods. Other use as these methods as well as shop assistants. Mark the shelves, stands, special equipment (refrigerated show windows or machines for measuring and cutting of cloth) as well as other facilities. Calculate the price of everything by listing on a working paper as follows:

Type of equipment:

$$\text{number} \times \text{single price} = \text{price}$$

Draw several plans of your shop and apply the most appropriate to the above mentioned calculations. Determine how many signs or letterings will be needed for annual working cycle calculating also these costs.

Consider how many shop assistants are needed of the shop combines self-servicing and sales on stand. Calculate the staff costs using following method:

I need \_\_\_\_\_ shop assistant with remuneration for each of \_\_\_\_\_ per week (including taxes, insurances and privileges for the staff), as the total amount is \_\_\_\_\_ per year.

The personal attention paid to the customers is an advantage for the small shops. When preparing your staff turn its attention on the fact that all they should act vigorously and keep working their job. The customers are not interested in description of duties - the most important for them is to be served promptly and carefully. There is nothing more disappointing for a customer from that to be ignored by some of the shop assistants. You should take the decision about the training of your staff in welcoming customers, showing the goods, offering of goods, attitude to the needs and appeals of the visitors.

## **PURCHASE**

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When you purchase goods for resale you should answer the following questions: Who sells to the retail traders? Where from you supply your shop - directly from the producers or from the wholesale traders and distributors? What services to the supplies you can provide and how much you should pay for the transport? What are the conditions for purchasing? Could you work by credit? In what term you could receive your new orders from the traders?

Your should provide acceptable provider for each type of goods and prepare a purchasing plan using the following method:

- *Time for supply* - How many days or weeks the provider needs to transport the goods to your shop?
- *Transport costs* - Who pays - you or the provider? The costs for loading and transport are significant.
- *Policy of additional supplies* - what is the provider's policy in the field of additional supplies? Should you purchase large quantities by dozens or you could buy only few articles of same type? How much time is needed to be transported to your shop?

## **INVENTORY**

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Often the customers leave the shop without buying anything just because they did not

find what they need. The stock control combined with the availability of providers which policy concerning the additional supplies is favorable for you and helps the reduction of fruitless visits.

The system you use for collection of information about your goods and inventory depends on what you are selling as well as on the dates of supply appointed by your suppliers. Information about the stock control you can find on page 13.

The owner-manager who purchases adequately could turn its goods several times per year. For example, items for sale in a small photo shop could be turned around 4 - 4.5 times per 12 months. What is the average commercial annual turnover for your type of goods, what are your expectations with this regard? List the reasons for this your consideration.

## **"WORKING BEHIND THE SCENES"**

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"Working behind the scenes" in the retail shop is to receive the stock, its preparation for exposition, maintenance of stands and shelves as well as servicing of the premise so it is to be clean and attractive for the customers. The text below will help you to decide what to do and what will be the value of the work done.

Firstly list the equipment (for example price marking machine, shelves, automatic cash) you will need for your "work behind the scenes". Then mark the needed reserves for a period of one year, for example price labels and invoices.

Use the following scheme for calculation of expenses:

*Type of equipment/reserves:*

$$\text{quantity} \times \text{single price} = \text{price}$$

Who will do the warehouse work and will clean up so the normal functioning of the shop to be ensured? How many hours per week will take all that if you are doing it by yourself? Will you do this unpleasant job after the end of the working day? What will be the cost if you hire people to do it? List on a working paper how do you plan to cope with this tasks. For example:

The warehouse work will be done by one employee during the off-peak times of the working day. According to your expectations he/she will need \_\_\_\_\_ hours per week to do the job that will cost \_\_\_\_\_ (number of hours x hourly rate) per week and \_\_\_\_\_ per year.

I will need \_\_\_\_\_ square meters area for the warehousing services. This space will cost \_\_\_\_\_ per square meter or total of \_\_\_\_\_ per month.

Describe and analyze in the same way all types of expenses as for example for public services, office assistance and insurances, phone, postal charges and accountant, taxes, privileges of staff, permissions and other local taxes and fees. In case you intent to hire employees to help you in management take into account their remunerations.

## TURN YOUR PLAN INTO MONEY

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This section is prepared in order to help you to see what is your plan with a view to the money.

The first question concerns the source of funding. After once you invest in the small retail shop, you could obtain funds mainly by the sales. What volume of sales in BGN you expect to reach during the first 12 months? Write down your assessment and motivate it:

### *Initial expenditures*

List the expected initial expenditures using data of your previous working schemes:

- Main equipment and tools \_\_\_\_\_
- Initial inventory \_\_\_\_\_
- Decoration \_\_\_\_\_ and \_\_\_\_\_ reconstruction  
\_\_\_\_\_
- Installation of equipment \_\_\_\_\_
- Deposits for public services \_\_\_\_\_
- Legal and professional charges \_\_\_\_\_
- Permissions \_\_\_\_\_
- Advertisement \_\_\_\_\_ when \_\_\_\_\_ opening  
\_\_\_\_\_
- Accounts where money should be transfered \_\_\_\_\_
- Operational capital \_\_\_\_\_

Total \_\_\_\_\_

Your new activity should pay the initial expenditures nevertheless whether you paid the costs (or you had savings) or you obtained loans for that purpose. When calculating the expenditures take into account the other financial aspects of your plan.

***Expenditures***

You should think about the expenditures related to the volume of sold goods per year. For example - what will be the cost of making BGN 100 000 by your business? What will be your profit? Your activity should be profitable or at least should be targeted to a profit making.

The next exercise will assist you to calculate your expenditures. To do it you should know the total cost of goods sold from your type for the time period reviewed (month of year). This value is a percent of sales and is called operational ratio. Check in your commercial association what are the operational ratios for you business.

Using the operational ratio for the value of the goods sold by you and calculated income you could decrease your expenditures by changing your ratios and size of amounts in the income data. Take into account that gross opportunities for a profit should be enough large to cover the expenditures and ensure you a remuneration. Use the scheme below when calculating your operational ratios as you apply it for the columns of the table for visible presentation of the income data (see Annex A):

	Examples.		To you	
	Operational ratios			
	%	BGN	%	BGN
Sales	100	100,000	100	BGN_____
Value of goods sold	-66	-66,000		BGN_____
Gross profit possibilities	34	34,000		BGN_____

Continue to fill in the table for visual presentation of the income data each month. To that end use the version proposed in Annex A.

***Forecast about the movement of budget available***

The budget helps you to estimate the expected monthly incomes and expenditures. After that each month the question is "Will sales bring enough money so the shop to be able to pay its charges?" The owner-manager should prepare himself for the financial peaks and drops in the cycle of business activity.

The forecast about the movement of available funds is a managing method that has the property to remove a large part of the concerns that you could have in months with unsatisfactory results. Use the Monthly table for the movement of funds (Annex B) when

determining your budget.

### ***Do you need additional funds?***

Suppose that currently your activity needs more funds than you receive from the sales at the moment. What should you do in such case?

If your business has a huge potential or is in good financial situation based on its balance you could obtain a loan (the most appropriate way is from a bank) in order to maintain your activity at a good level during the initial period and during the time when the sales dropped down. The loan could be paid during the months when your incomes are more than the expenditures. Enough working capital is always necessary for the success and survival but the funds available (or their lack) are not obligatory indicator that business is in bad financial situation. The creditor will be interested in your balance sheet in order to estimate the net value of the company as the monetary flow is only a part from it. The balance sheet (Annex C) shows exactly this net value in certain stage - for example in the end of the month or the year.

Even if you do not need a loan, you should like to show your plan or balance documents to your bank. Never is too early to establish good connections with the financial institutions and make them believe you. Show your bank officers that you are a manager with clearly determined objectives and not somebody who just hopes to succeed.

## **CONTROL AND FEEDBACK**

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To make your plan working you need a feedback. For example, the profit and loss account (income) in the end of the year shows whether you have gained or lost something for the last 12 months.

Do not wait so much to understand. You need the elaboration of summarized reports on the activity more frequently. The normal way for feedback is in the end of each month or trimester an information about the incomes to be provided.

You also should establish such managing methods for control that help you to monitor whether the things are going in order daily and weekly. As an owner-manager you cannot do all the job by yourself. You should delegate powers, rights and responsibilities to anybody else. The documentation systems should be in perfect order before opening the shop. After you are in the business, it is too late. The accounting control system which you have prepared should give you information about the available stock, sales, incomes and expenditures. As better is if it is simplified. Its purpose is to give you current information and to help you to discover the gaps. You also could be supported by external consultants such as expert-accountants.

## ***Stock control***

The task of the stock control is to provide maximum good servicing to your customers. Your objective should be ensuring of maximum possible turnover. The less money are frozen in stock the more shop earns. The good stock control helps the owner-manager to maintain balanced assortment and determine what is necessary to be ordered on the basis of what is available, what is ordered and what has been sold out.

When determining the methods for inventory management take into account that in addition to the value of the commodity the costs for purchasing, receiving and storing should be considered as well as the cost for maintenance of documents related to the stock control.

Your system should allow you to determine what is needed to be ordered on the basis of what is available, what is ordered and what has been sold out. Some commercial associations and suppliers provide such systems to their members and customers. Otherwise your accountant could prepare a system that fits the best to your activity. The inventory control is based on permanent and periodic accounting methods including as cost considerations as well as the stock control.

When choosing the system you will use for stock control consider what will be the cost for you. You should not need a large (and expensive) system if you do not need detailed information collected by it. The system should justify the price or otherwise you will waste time and money for something useless.

Many shops (for example offering books, shoes or clothes) use computer systems for inventory control. This is particularly important if your products are various as it is in the book shops, alcohol or shoes. Such computer system allows you to avoid what is not bought enough by preparation of detailed reports about the sales and stock turnover. Discuss with your accountant whether is possible to use such a system, what is its price or visit the local PC shop and see what appropriate software could be offered there. The best system usually is the system which is designed specially for your type of activity.

## ***Sales***

In a small shop the owner-manager receives feedback in the end of each working day by the cash tapes. In order to preserve the high level of sales, you should answer the following questions: How many items are sold? What amounts are received? Which products are mostly sold? On what price? What credit conditions have been provided to the customers?

## ***Incomes***

Divide your incomes in cash and in amounts that others have to reimburse to you (recorded on someone's account). Then you will know the amount of the credit you provided, how much more credits you could provide and what operational capital you have at your disposal.

## *Expenditures*

Your managerial control methods also should provide information about the funds paid by the company. When checking your accounts you should not be "penny-wise and pound-foolish". Pay your debts on time in order to benefit from the discount provided by suppliers. The systems for review of the activity should give you the opportunity to take decisions about the usage of funds. Thus you will be able to manage best as with the emergencies as well as with the daily problems. Your system also should mention that the funds designated for taxes such as the discount on the tax on income payrolls, have been separated on time.

## *Equilibrium analysis*

The equilibrium analysis is a managerial control method that provides data about how much you should sell in order to cover your expenditures so you have neither profit nor loss. The profit comes after you pass the equilibrium point.

The profit depends on the volume of sales, vending price and expenditures. The equilibrium analysis helps you to consider how the change of one or more factors of the above mentioned impacts on your profit. In order the equilibrium to be reached, the permanent expenditures (such as the rent) should be separated from the variable costs (such as the vending price of products). The formula of equilibrium is following:

$$\text{Gross amounts} = \frac{\text{total fixed expenditures}}{1 - \frac{\text{total variable expenditures}}{\text{volume of sales}}}$$

*For example*, Bill Mason plans to open a shoe store and considers that his fixed expenditures for the first year are about USD 9000. He calculates that the variable expenditures are about USD 700 per every USD 1000 received by sales. What gross amounts should the store bring to Bill in order the profit and loss to be balanced? An easy answer to this question could give the use of following formula:

$$\text{Gross amounts} = \frac{9000}{1 - \frac{700}{1000}} = \frac{9000}{1 - 0,7} = \frac{9000}{0,3} = 30,000$$

## **Is you plan employable?**

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You should stop when you calculate the equilibrium point. It is time, nevertheless the

equilibrium point is realistic or not, to convince yourself that your plan could work.

Review the plan one more time before invest in it. if the plan is impracticable, it is better to understand it now than after 6 months when loosing much money in an enterprise that is not profitable.

Reviewing your plan look at the values of annual costs (operational ratio in income data). If some of them are too high or too low, change them. You could record new figures above or below the initial information about the costs. When finishing with all additions you will have a revised project concerning sales and costs of the shop.

Now elaborate a new equilibrium analysis using the new data. The equilibrium point could look good or bad, but it will be better if you take one more precaution measure. Show your plan to somebody who has not participated with you in the detailed elaboration. Obtain an independent and competent second opinion. Your bank officer, an official from the Small Business Department or other councilor could see a weakness you did not mentioned. This expert also could see strengths in your plan which you should focus on.

## **Application of the plan**

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When your plan becomes as full and correct as possible you are ready to use it. Have in mind that the difference between the plan and the dream is namely the action. If you have a plan but you do not apply it it is nothing more than a wish you would like to become reality.

Review one more time your plan to see what should be done in order to be employable. The situation and objectives will hint you what is needed to be done. For example, if you intent to increase the sales you should possibly to separate more funds for such enlargement of activity. Do you have additional funds to invest in business? Could you borrow from friends? Could you borrow from relatives? Could you obtain a loan from your bank? Could you borrow from your suppliers (on the basis of credit conditions)? If you start something new, the first task is to obtain a loan for equipment, commodities, remunerations and other expenditures. Your next action is related to the opening of job places and hiring of capable staff.

Now list everything that should be done in order your plan to become a reality, and determine the deadlines.

Actions

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Deadline

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## **Keep your plan updated**

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After starting the implementation of your intent, take care for the changes occurred. They could paralyze the best business nevertheless it has been well planned. Try to follow the changing conditions and regulate your activity according to them. Sometimes the problem occurs inside the company — for example some of your shop assistants could quit their job. In other case the troubles come from customers whose demands and tastes are changing or are not to be changed. There could be technological innovations such as ate the market are created and introduced products that are significantly different from the old ones.

In order to prepare the plan for such concussions you, the owner-manager, should:

- Take care for the changes occurred in your business field, in the market and customers.
- Check your plan regularly with a view to the new conditions.
- Determine the corrections needed in the plan and if necessary to make them.

Read commercial and business newspapers and magazines. Permanently update your knowledge and become better and better. The successful action plan is developed by the experience collected and the best current information. There is no doubt that you will work in the most correct way with the funds after you have been in the branch for certain time period. The good business plan means good business.

## **Instruction about the visual presentation of the income data**

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The visual presentation of income data (profit and loss) is valuable as a tool for planning and is a key managerial method helping the control of business activities. It gives the owner-manager the opportunity to estimate in advance the quantity of income which could be generated for each month and for the financial year. All that is based on motivated forecasts

about the monthly levels of sales, expenditures and other payments.

When develop and include the monthly forecasts in the visual presentation of the income data they could be used as certain objectives by which you could control the business activity. After the real results are announced in the end of the month they should be marked and compared with the preliminary and expected data. A finished document about the income allows the owner-manager to make a comparative analysis of presumptive and real figures as well as to undertake steps for solving of problems.

### ***Industrial percent***

In the column of the industrial percent you should introduce data about the percent ratio of total sales (incomes) which are standard for your type of activity and are fund by the following method:

$$\frac{\text{Costs/expenses}}{\text{Total net sales}} = 100 \%$$

Such information you could receive by various sources such as commercial associations, accountants or banks. Each librarian from the closest public library could direct you to documents containing the needed percent ratios such as "Annual Statement Studius" from Robert Morris (One Liberty Place, Philadelphia, PA 19103).

The industrial values are used as useful landmarks with which to compare the expected expenditures of your company. Compare the data in the column of the industrial percent and these in the column of the annual percent.

### ***Total net sales (incomes)***

Determine the total number of types of products or services you expect to sell each month on the price determined by you. Use this approach to present visually your pricing practice.

- What incomes, discounts and price reductions could be expected?
- Exclude all incomes that are not related directly to your activity.

### ***Sales expenditures***

The key for the calculation of sales expenditures is not to miss any expenditure. Calculate the sales expenditures for products and services which determined total net sales.

Do not ignore the transport expenditures related to the products. Include as well as each direct contribution.

### ***Gross income***

In order to receive the gross income you should remove the general sales expenditures from the general net sales.

### ***Gross profit opportunities***

The gross profit is calculated as a percent of the total sales (incomes). It is calculated on the following formula:

### ***Controlled expenditures***

- Expenditures for remunerations — basic salary plus overtime hours.
- Payroll expenses — including the annual leave, sick leave, health insurances, unemployment insurances, social security taxes.
- External services — includes the expenses on subcontracts and special or single services.
- Supplies — services and materials purchased for usage in the work process.
- Maintenance and repairs — regular repairs and maintenance that require periodic large expenditures such as painting.
- Advertisement — includes expenses for advertisements related to the achievement of the required sales volume.
- Cars, supplies and travels — includes the expenses when using private vehicle for working, parking taxes, travel tickets, etc.
- Accounting and legal advices — external professional services.

### ***Fixed expenditures***

- Rent — include only the rent of real estate property used for your activity.
- Depreciation — depreciation of main funds.
- Public services — water, heating, lighting, etc.

- Insurances — for property and commodities against fire and other disasters. Include the compensations for the staff.
- Payments for loans - interest payments for non-paid debts.
- Others — undetermined small expenses without separate accounts.

### ***Instruction for the balance sheet***

The values used for the filling of balance sheet are taken from current and previous balance sheets as well as from the current income data. The income data usually are annexed to the balance sheet. The text below covers important issues related to the filling of the table.

Above on the list write the registered name of the company, type of the official report as well as the day, month and the year.

### ***Assets***

List everything valuable that the company has or legally belongs to it. The assets include all net values. That are the amounts received when subtracting the depreciation from the initial expenditures when calculating your assets.

### ***Current accounts***

Available funds — list the available funds and other sources that could directly turn into money for a 12 months period starting from the date of preparation of the balance sheet (or for the time of a set-up business cycle). Include the amounts in cash and bank deposits, for example bank account or savings account.

- Small amounts — if your company has a fund for small expenses of any type, include the amount here.
- Accounts you have to receive money — these are the amounts you have to be reimbursed by customers for products purchased or services provided.
- Inventory — includes available materials, current activities and all finished products — produced or purchased for resale.
- Short-term investments — also known as marketable securities. They include investments that bring interests or dividends expected for an year. List the shares and debentures, deposit certificates and term deposits writing down their price or market

value — take the smaller.

- Prepaid expenditures — commodities, privileges and services that the company pays in advance. For example these are the office supplies, insurances and floor space.

### ***Long-term investments***

Also known as long-term assets they are investments that the company intends to keep at least one year and usually bringing interests or dividends. Include shares, debentures and savings accounts designed for special purposes.

### ***Main funds***

These are the premises and equipment. It includes everything that is owned by the company or the company acquires for using and is not foreseen to be resold. The main funds, excluding the land, are subject of depreciation so this should be mentioned. These funds could be rented. Depending on the contract terms the value and obligations for the rented equipment could be entered in the balance sheet.

- Land — enter the initial price without the discount of its market price.
- Buildings
- Improvements
- Equipment
- Furnishing
- Cars/vehicles

### ***Liabilities***

#### ***Current debts***

Enter into the list all debts, monetary debts and claims that you have to pay within 12 months or within one business cycle. Usually these are:

\* Accounts from which should be paid certain amounts — to providers of products and services purchased with regard the activity.

\* Bill payments — balance of the principal of short term loans you have to repay. Its also includes the current amounts taken from your balance for payments of bills with deadlines exceeding 12 months.

\* Interests to be paid — all accumulated installments designed for payment of short and long term credits of the company.

\* Taxes — amounts based on the calculations of the expert-accountant that you have to pay for the mentioned period.

\* Accumulations on payrolls — current remunerations and wages.

### ***Long-term liabilities***

Bill payments — include the policies, payments on contracts in case the deadlines exceed 12 months or one business cycle. This is the outstanding balance without current shares outstanding.

### ***Net value***

Also known as property that stays in case of liquidation after covering the claims of creditors. The net value is the rights of owner or owners on the company assets. In case of joint venture or partnership these are the initial investments plus all incomes after withdrawal of some of the actors.

### ***Total liabilities and total net value***

The total of amounts of these two sums always should be equal to the total assets.

The next pages are the contours of the material that should be entered in your business plan. Finally it could vary depending on your needs or due to the specific requirements of your creditor.

### ***What are the benefits?***

Each company could benefit from the preparation of thoroughly written plan. During its creation two main objectives should be taken into account.

1. To serve as a road map during the company's existence. It is the project of your activity and will provide the tools for analysis and change.

2. The business plan is a main necessity if you want to obtain a loan. It will give your potential creditors a detailed information about all aspects of the company activity in the past and present as it also will show them your future intentions.

## *Contours of the business plan*

### **I. FIRST PAGE**

The first page is also the cover page of your business plan. It should contain the following:

- Name of the company
- Address
- Phone number (include the code)
- Logo (if any)
- Names, titles, addresses and phone numbers of the owners
- Month and year when the plan is prepared
- Name of the author

### **II. STATEMENT ON THE OBJECTIVE**

(Administrative resume) This is the thesis statement and includes the objectives of the plan. Use key words (who, how, where, why, when, how and how much) to describe briefly the following:

- What is your company (also who, what, where and when).
- Your objectives.
- If you need a loan, describe the reasons.
- How much you need?
- Why your activity will be successful?
- When and how you plan to repay the loan.

### **III. CONTENTS**

A page that lists the main chapters and giving information where to be found.

#### **IV. THE COMPANY**

Show details of your activity Enter general information about the field you work in and particularly the business. Use the following:

- Legal structure — describe what legal structure you have chosen for the company and the reasons.
- Description of the activity — describe in details you business. Describe the past, present and your future projects. Assess your products and services with a view to the possibility for their implementation. Present your expectations about what you intent to achieve during the next few years.
- Commodities or services — give detail description of your products from the raw materials to the ready goods. Describe the manufacturing process. If you provide services, describe their type, way of provision and why they are unique. List any future products and services with which you intent to enter the market.
- Location — describe the area and reasons for choosing it (if the location is important for your marketing plan, focus on it in the marketing paragraph below).
- Management — describe who stands behind the business. Describe the responsibilities and capabilities of each of the owners. Motivate it with brief resumes.
- Staff — Who will do the job, are your employees qualified, what is their remuneration, what are their responsibilities.
- Methods for keeping the documentation — what accounting system do you use? Who will be responsible for the documentation? Do you have a plan that will help you to use in the analysis of your activity the data you collect ?
- Insurances — what type of insurances you need? How much they will cost and which insurance company you will choose?
- Safety and security — have in mind the security with a view to the inventory control and information theft.

#### **V. MARKETING**

Provide details of your action plan. Include information about the market as a whole as

the focus is on the market where you targeted efforts. Determine who are your customers and what measures you undertake to bring closer to them your products and services.

- Target market — describe the specificities of your customers. Tell how you made these conclusions. Support the facts with information from demographic researches, questionnaires and other examinations. Present the size of your market.
- Competition — consider which are your direct and indirect competitors. Describe how you will cope with the competition. Assess the competition with a view to the location, market and business development.
- Methods of offering — describe the ways you will make the commodities and services accessible for your customers. Justify your decisions with statistic reports, ratings ,etc.
- Advertisement — how your advertisement will be targeted to the market you would like to dominate. Enter the data about prices, means of incentive of sales and deadlines related to your advertising campaign.
- Pricing — pricing will depend on the result from the marketing researches and the real value of your commodities or services. Tell how you reached the structure of prices determined by you and justify the data with materials about your research.
- Design of products — answer some key questions concerning the design of the products and their packing. Include charts and information about the rights of the owner.
- Determining of the time line for entering the market — say when you plan to enter the market and how you took this decision.
- Location — if the choice of location for activity is related to the market you target, describe in this part. (See what you have written about the location in the previous sections).
- Industrial tendencies — present the current trends, predict the eventual change in the market and show what you plan to do in order to follow the new conditions.

## **VI. FINANCIAL DOCUMENTS**

They show the past, current and foreseen financial status of the company. The documents below are the most important of these you would like to include in your action plan. Your work will be facilitated if you follow the proposed order.

- Brief information about your financial needs — it shows why you need a loan and its size.

- Exposition about the sources and using the funds — you should explain how you intent to distribute the loans. Justify the words with data.
- Exposition about the available funds (budget) — this document shows how your plan looks with a view to the funds. It discovers the income for certain time period and is used for internal planning. The exposition gives information about how much funds and when should come in and out the company.
- Three years income forecast — shows your forecasts about the incomes of your company for the next three years. Use the exposition about the movement of funds as a basis for the data for the first year and foresee the rest of the values having in mind the economic and industrial trends.
- Equilibrium analysis - the equilibrium point is reached when the expenditures of the company match exactly the volume of sales or services provided. The equilibrium point could be expressed in BGN or as incomes exactly equalized by the total expenses or total units of production (expenses equal to the incomes from sales). The analysis could be prepared by mathematic methods or as a chart.

\* Note: Following documents show the activity of your company in the past. If you are new in the business your financial section of the plan will end here as you will append your up to now personal financial development. In case your company has established long time ago you should enter the expositions listed below concerning the real outcomes achieved by you.

- ***Balance sheet*** — shows the state of play of the company at a certain moment. It shows the financial status of the business and could show you if it is good or unsound.
- ***Presentation of incomes (profit and loss)*** — disc your financial and business activity about certain time period (month or year): Its is a mobile picture showing what happened in your field of activity and is an excellent tool for assessment of your work. After compiled and balanced your main accountant book the total of incomes and expenditures are to be transfered in this document.
- ***Financial development of the company to date*** — this is a short presentation of financial information about your company from its establishment to date. Usually the financial development data and the ask for a loan and one and the same. If you have filled all the rest of the financial sections you should be able to transfer all the needed information in this document.

## VII. ADDITIONAL DOCUMENTS

Additional documents contain official data which justify the expositions and decisions taken in the three main parts of your business plan. Following documents are used usually:

- ***Personal files*** — they should be limited to one page and include the education,

profession, previous jobs, qualities and specific skills.

- ***Information about your personal financial status*** — personal incomes and financial debts. This is a part of the financial section for the new companies:
- ***Credit documents*** — personal and related to the activity, obtained from suppliers, wholesale traders, credit offices or banks.
- ***Copies of rental (leasing) documents*** — all acting agreements between your company and any rental (leasing) agency.
- ***Letters of recommendation*** — where you are recommended as a good trusted businessman who could be empowered to act independently. (Include as personal as well as business recommendations).
- ***Contracts*** — include all work related contracts regardless they are expired or not.
- ***Legal documents*** — all certificates related to your legal structure, ownerships, insurances, titles, etc.
- ***Other documents*** — all related to the business but not included in the main plan (for example plans for the company location, demographic researches, advertising plan, etc.).

### ***Compiling the elements of your plan***

The final version of your plan should be professionally made but the creditor should know that it has been elaborated by you. The action plan is the best indicator for your opportunities for success. The volume of the action plan should not exceed 30 - 40 pages. The documents attached to the plan should be only these of direct interest for your potential creditor. The rest of the documents you should keep in your copy of the plan where you could extract them and provide upon request. Bind several copies of your action plan in the bindery or put them in blue, black or brown folders bought by a bookstore for stationery. Make several copies for yourself and each of the creditors you intent to address. Do not distribute too many copies simultaneously and keep track on each. If the loan request is rejected, take back your business plan. For more detailed explanations about each section of the action plan you could consult the edition of the Small Business Administration "How to elaborate our business plan". It contains guidelines and authentic business plans examples. The Small Business Administration also offers a video record and workbook "Action plan: your way to success" .