

Starting a food business

Planning for success!

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- The essentials!
- Business planning
- Customer proposition
- Money matters
- Telling your story

“I look to the future because that's where I'm going to spend the rest of my life”

George Burns



The essentials of business

People



How do we help them?
How do they help us?

Money



Strategy

How much do we bring in?
How much do we spend?

It's the same for private and public businesses, social enterprises, charities.....and most things in life!

From people to profit

Business checklist

People



Customers



Turnover



Profit

- Any business can be broken down into a series of steps
- What are the factors that make a difference to performance at each stage?
- Which of these can we influence?
- Which should we influence: how, when and who?

Business planning



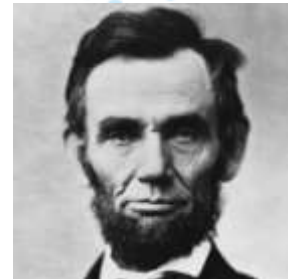
Preparing for your plan

Think about a journey!

1. Where are you now?
2. Where do you want to be?
3. What do you need to do to get there?
4. What resources will you need to do it?
5. What could go wrong on the way?

“If I had six hours to chop down a tree, I'd spend the first hour sharpening the axe”

Abraham Lincoln



Your vision?

Two components

Mission

Your purpose and key objectives.

Defines the key measures of success

Values


Your 'guiding beliefs' about how things should be done.

Shapes what people think about you.



A good vision will give you a **framework** for every decision at every level

What resources will you need?

- Strategy before structure
 - Key resources: people, facilities, finance
 - People with the right mix of skills and experience are essential
 -but can they work together?
 - Your needs may be different as things progress
- 

Things that can go wrong?

- Rushed planning and decisions at start-up
- Non-compliance with legal requirements
- Wasted time, money and other resources
- Poor decision making
- Lack of financial control
- Lack of transparency
- Conflict and misunderstandings
- People are not protected



Volkswagen



$$\textit{Risk} = \textit{Probability} \times \textit{Impact}$$

- Nothing in life is risk free...but we can:
 - Identify what could go wrong
 - Decide on a response
 - Take action!

- Typical areas of vulnerability:

Planning, people, market, operations, systems & procedures, finance, legal, nature & environment

Your customer proposition



Strategy and marketing

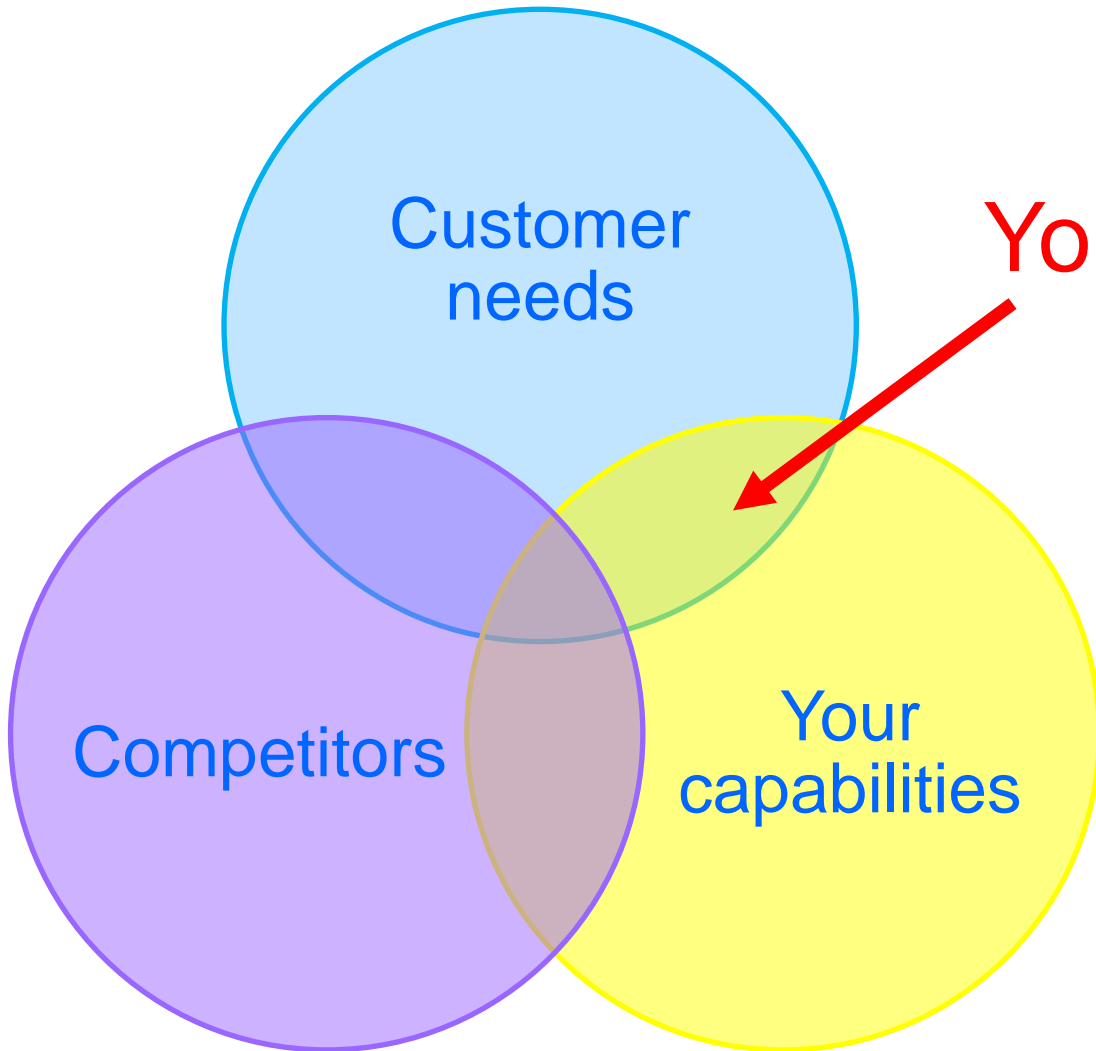
Everything is connected!

- The fit with who you are and what you do:
Purpose
- Your market, customers and their needs:
People and Positioning
- Your financial objectives:
Profit
- Your marketing mix:
Product, Price, Promotion, Place



Your customer proposition

Three things to consider



Your uniqueness!



Understanding your customers

Segmentation

- We are not all the same

But we can be grouped by the things we have in common

- What can define different groups?

Characteristics, values and behaviours?

- Why bother?

For clarity and efficiency



Segmentation example

Source: Organic Centre Wales

Segment	Characterised by	% pop
<i>Organic advocates</i>	Very positive about organic produce with strong recognition of positive benefits and positive perceptions on value for money.	19%
<i>Organic environmentalists</i>	Being generally positive about organic produce but with a strong emphasis on the environmental benefits and also a concern for food provenance.	21%
<i>Price and origin conscious</i>	Price being a major barrier to organic consumption but provenance being important to them.	14%
<i>No food production concerns</i>	Displaying a lack of interest in the production methods of food whilst not necessarily being anti-organic.	16%
<i>Environmental doubters</i>	Tendency to doubt many of the benefits of organic but are particularly sceptical of the environmental benefits.	15%
<i>Organic detractors</i>	Generally negative views with organic value, taste and quality in particular not recognised.	15%

The right price

Some things to consider

- What is the role of price in what you do?
- What is your product or service?
- Do you know your costs?
- What is the **optimum** price for you and your customer?

“A good film is when the price of the dinner, the theatre admission and the babysitter were worth it”

Alfred Hitchcock



Pricing strategy

An optimum price

Value to the customer

What the market will bear

Competitor price


Cost of supply plus

Cost of supply



Price and promotion

Be clear about your objective

- Encourage **trial**a price discount?
 - Encourage **repeat purchase**money-off next purchase
 - Encourage **loyalty** through regular, more frequent or larger purchasesmulti-buy offer
- 

Money matters



Business finance

Two key considerations

- Does the trading income more than cover the costs of providing what you sell?

Profitability: if not, eventually the money will run out

- Is there enough cash to fund the activities?

Cash flow: if not, even profitable trading cannot happen

Profit & Loss account

The trading story!

- Shows the revenue generated less all the costs incurred generating that revenue
- Excludes capital receipts or payments
- Excludes VAT
- Includes a share of asset costs (Depreciation)
- Two distinct calculations of profit:
 - **Gross profit:** Sales revenue less the direct costs of buying or making the stock sold
 - **Net profit:** What's left after your other costs (Overheads) have been deducted

Epicure

Profit and Loss account

	Total
Total Sales	£150,000
Less Direct costs	£112,500
Gross Profit	£37,500
Overheads	
Wages and salaries	£19,470
Stationery	£240
Telephone	£360
Advertising/PR	£900
Maintenance	£960
Staff Travel	£180
Rent & Rates	£3,600
Insurance	£600
Water, heat & light	£600
Loan Interest	£300
Credit Card Charges	£480
Bank charges	£240
Bookkeeping	£900
Audit fees	£600
Total Overheads	£29,430
Profit Before Depreciation	£8,070
Depreciation	£3,600
Net Profit	£4,470

Cash flow forecast

What is in the bank?

- An analysis of the money that will flow in and out, where it will come from and go to and when it will happen
- Calculations include:
 - All income into the business, including sales revenue (with VAT), loans, grants and any capital invested by stakeholders.
 - All payments including suppliers, overheads and tax (NI, PAYE tax, VAT and Corporation tax)
- Remember that VAT income is not your money!
- Plan for any Corporation tax liability

Epicure

Cashflow Forecast

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Inflows													
Sales receipts (including VAT)	10,200	11,220	11,220	11,730	12,240	12,240	12,750	13,260	13,770	14,280	14,790	15,300	153,000
Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	10,200	11,220	11,220	11,730	12,240	12,240	12,750	13,260	13,770	14,280	14,790	15,300	153,000
Outflows													
Trade Creditors	7,500	8,250	8,250	8,625	9,000	9,000	9,375	9,750	10,125	10,500	10,875	11,250	112,500
Wages, Salaries & PAYE	1,300	1,300	2,150	1,300	1,300	2,150	1,380	1,380	2,225	1,380	1,380	2,225	19,470
Stationery	144	0	0	0	0	0	144	0	0	0	0	0	288
Telephone	0	108	0	0	108	0	0	108	0	0	108	0	432
Advertising/PR	0	0	0	0	0	0	1,080	0	0	0	0	0	1,080
Maintenance	0	0	0	0	576	0	0	0	0	576	0	0	1,152
Staff Travel	15	15	15	15	15	15	15	15	15	15	15	15	180
Rent & Rates	0	0	900	0	0	900	0	0	900	0	0	900	3,600
Insurance	600	0	0	0	0	0	0	0	0	0	0	0	600
Water, heat & light	150	0	0	150	0	0	150	0	0	150	0	0	600
Credit Card Charges	40	40	40	40	40	40	40	40	40	40	40	40	480
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20	240
Book keeping	75	75	75	75	75	75	75	75	75	75	75	75	900
Audit fees	720	0	0	0	0	0	0	0	0	0	0	0	720
Capital Expenditure	0	0	0	6,000	0	0	0	0	0	0	0	0	6,000
Loan Repayments (incl interest)	225	225	225	225	225	225	225	225	225	225	225	225	2,700
VAT	515	0	0	478	0	0	-404	0	0	630	0	0	1,219
Total payments	11,304	10,033	11,675	16,928	11,359	12,425	12,100	11,613	13,625	13,611	12,738	14,750	152,161
NET MOVEMENT	-1,104	1,187	-455	-5,198	881	-185	650	1,647	145	669	2,052	550	839
Opening Bank/(Overdraft)	5,000	3,896	5,083	4,628	-570	311	126	776	2,423	2,568	3,237	5,289	
Closing Bank/(Overdraft)	3,896	5,083	4,628	-570	311	126	776	2,423	2,568	3,237	5,289	5,839	

Make cash as a priority

Be proactive!

- 'Cash is king' so keep on top of the figures
- Preserve the cash you've got!
- Manage payment terms with customers and suppliers
- Ask for help **before** you need it!



What funders want!

- A clear idea of the business and how it works
- Their role in making it happen
- Confidence that you will deliver on your promises e.g. repay a loan
- To see you have enough money when you need it (Cash flow)?
- They appraise the **people** as well as the figures

Keeping in touch

Monitoring performance

- Ignorance is no defence....so don't make assumptions!
- Information is good, insight is even better!
- Set up Key Performance Indicators (KPIs)
e.g. number of customers, debt profile
- Monitor performance regularly
 - Management accounts



Management accounts

- A set of financial reports that you consider to be sufficiently accurate to help you:
 - Understand your trading position
 - Make decisions
- There are no rules on what format is used
- Your book-keeper can help
- Could include analysis of Cash flow, difference between actual and budget for sales, costs and margin



Telling your story

Typical contents of a plan

- Executive summary
- Description of *the big idea*
- Market and customers
- Marketing and sales
- Operations and people
- Finance and funding
- Making it happen

“A good novel tells us the truth about its’ hero; but a bad novel tells us the truth about its’ author”.

G. K. Chesterton



Thank you!



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