

## Unit 6

### Running the Company

Topics: business plans

Skills: discussions, reaching an agreement, assessment, renting, letting out, letter asking for approval, circular letter

#### Business Plans

Running an enterprise is no easy business. To manage a business successfully means not only carrying out day-to-day business routines such as serving customers, making decisions, arranging sales and purchases, communicating with partners and employees, keeping deadlines, managing finances and accounting as well as marketing products and services. Everyday business activities should be arranged in a systematic, profit-oriented way with a long-term thinking. A well-written business plan can help to optimize business operations and achieve future goals. We can say that it is one of the most important business documents produced from the brain and pen of an entrepreneur.

A business plan is a formal written document that describes a business, its operation, its finances, its strategies, it sets goals and outlines how these goals will be achieved. It is often referred to as kind of blueprint to guide the enterprise. It is used both by start-up and well-established enterprises in various business situations. Accordingly, a business plan is needed when:

- setting up a new business, estimating possible costs, giving guidance
- raising capital, applying for a bank loan or state subsidies
- informing the management and colleagues
- attracting new investors
- expanding (mergers, entering new markets, targeting new customers)
- launching new products
- submitting applications (EU projects, tenders)
- taking part in projects
- planning
- forecasting trends
- looking for business opportunities
- identifying possible problem areas
- making strategic decisions
- purchasing new equipment
- restructuring, reorganizing business staff and operations
- cutting costs
- monitoring success
- determining the value of the company e.g. for potential buyers.

There are no hard and fast rules to writing business plans. Although there are standard elements to follow, eventually, the given situation, the age, size and profile of the company, the targeted readers will determine the final lay-out, main focus points and the length of the document. Smaller start-up enterprises use a simple, 1-2 page long format whereas large companies prefer a very detailed, long documentation supported by financial, marketing and legal experts. The basic lay-out covers the following main areas:



- cover page and table of contents
- background information
- marketing plan, business plan, operational plan, financial plan
- strategy and implementation

A detailed version may look like this:

- **1.0 Executive Summary** -also called elevator-pitch, a summary often targeted at potential investors
  - 1.1 Objectives
  - 1.2 Mission
  - 1.3 Keys to Success
- **2.0 Company Summary**
  - 2.1 Company Ownership
  - 2.2 Company History (for ongoing companies) or Start-up Plan (for new companies)
  - 2.3 Company Locations and Facilities
- **3.0 Products and Services**
  - 3.1 Product and Service Description
  - 3.2 Competitive Comparison
  - 3.3 Sales Literature
  - 3.4 Sourcing and Fulfillment
  - 3.5 Technology
  - 3.6 Future Products and Services
- **4.0 Market Analysis Summary**
  - 4.1 Market Segmentation
  - 4.2 Target Market Segment Strategy
    - 4.2.1 Market Needs
    - 4.2.2 Market Trends
    - 4.2.3 Market Growth
  - 4.3 Industry Analysis
    - 4.3.1 Industry Participants
    - 4.3.2 Distribution Patterns
    - 4.3.3 Competition and Buying Patterns
    - 4.3.4 Main Competitors
- **5.0 Strategy and Implementation Summary**
  - 5.1 Strategy Pyramids
  - 5.2 Value Proposition
  - 5.3 Competitive Edge
  - 5.4 Marketing Strategy
    - 5.4.1 Positioning Statements
    - 5.4.2 Pricing Strategy
    - 5.4.3 Promotion Strategy
    - 5.4.4 Distribution Patterns
    - 5.4.5 Marketing Programs
  - 5.5 Sales Strategy
    - 5.5.1 Sales Forecast
    - 5.5.2 Sales Programs
  - 5.6 Strategic Alliances
  - 5.7 Milestones
- **6.0 Web Plan Summary**
  - 6.1 Website Marketing Strategy
  - 6.2 Development Requirements





- **7.0 Management Summary**
  - 7.1 Organizational Structure
  - 7.2 Management Team 7.3 Management Team Gaps
  - 7.4 Personnel Plan
- **8.0 Financial Plan**
  - 8.1 Important Assumptions
  - 8.2 Key Financial Indicators
  - 8.3 Break-even Analysis
- 8.4 Projected Profit and Loss
  - 8.5 Projected Cash Flow
  - 8.6 Projected Balance Sheet
- 8.7 Business Ratios
- 8.8 Long-term Plan     Source: <http://articles.bplans.com/writing-a-business-plan/a-standard-business-plan-outline>

**Task: The following pages have been adapted from a specific business plan to show some key points of business plans. Read them through and give answers to the following questions:**

What kind of business will be set up? Describe its profile.

What size and legal status do you think the new enterprise will have?

What do you know about its planned location?

What is the goal of the writer of this business plan? Why was it written?

What kind of growth does the writer expect within five years? (quick return of the investment or gradual development)

What can you learn about the owner of the enterprise?

What are the owner's strengths?

Mention some major start-up expenses.

Characterize the market situation of the area (demand, purchase power of customers, competition)

What will be the competitive edge of the enterprise?

Mention some marketing techniques that the enterprise want to use.

How can the enterprise benefit from public and private health insurance companies?

Tell about the online marketing strategies of the company.

What role would the nearby complementary services play?

What does the writer assume will happen in the near future?



How realistic do you think these plans are?

What type of investors will be interested in the plan?

What possible difficulties can arise?

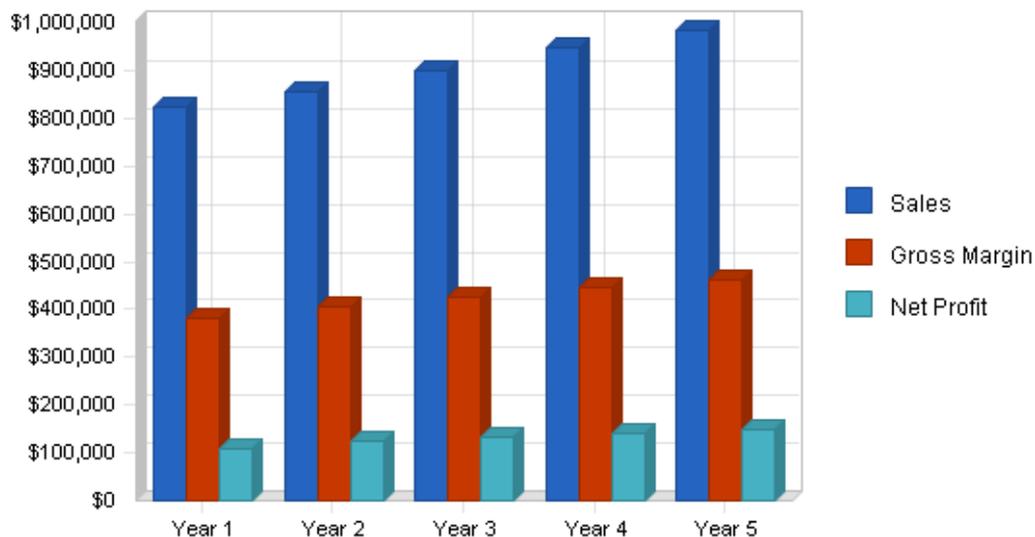
Would you invest into this enterprise?

## Executive Summary

**Pamper You Day Spa** is a new upscale destination in Carefree County, USA, offering a complete day spa experience. We offer seven ultra-chic, ultra-comfortable treatment rooms with the finest spa linens and equipment. We offer massage in a variety of styles - traditional Swedish Massage, Deep Tissue work, Hot Stone Massage, Reflexology, Sports, Pregnancy and others. We cater to both men and women and offer the latest in skin care products and therapies. We also offer facial and body treatments, like a Vitamin C Antioxidant Facial and Pevonia's Anti-Free Radical Treatment. The day spa has the latest in anti-aging products and techniques but does NOT offer services on hair such as cutting, styling and coloring. The only time a pedicure would be provided, is when it's part of a full treatment, like Kneipp's Arnica and Calendula Foot and Leg Reflexology We also offer a full retail line that complements the services menu. Products included are high-end cosmetics, creams, candles, and other beauty products. In fact, for location, we prefer being located near hair and nail salon for co-marketing opportunities.

This business plan has been developed to track progress prior to grand opening and following through with a five-year projection. In addition, this plan has been written to secure a small portion of the start-up funding necessary for Spa's successful kick-off.

Highlights



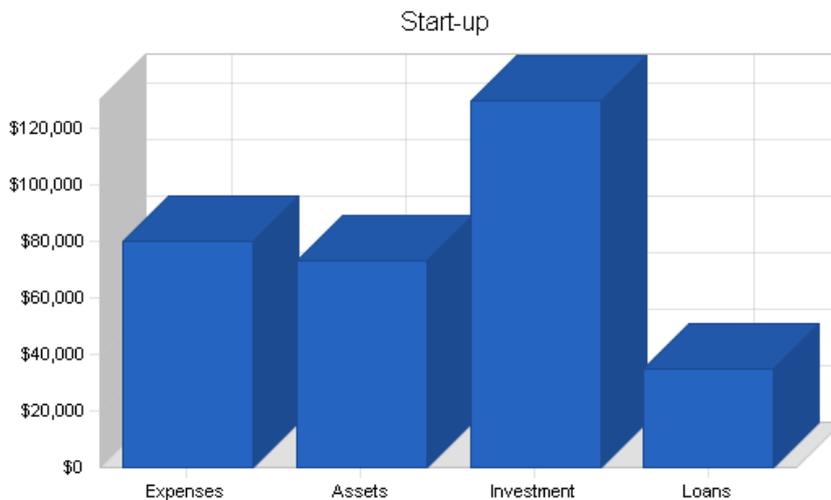
## Company Summary

Pamper You Day Spa is a new destination offering customers the combination of massage, body treatments, facials and anti-aging treatments in a beautiful setting. Culway Plaza, where we plan to locate, has a daily traffic count of 64,000 cars. It is also only two blocks from a commuter train stop, and has an upscale hair and nail salon which would complement our services nicely.



## 2.1 Company Ownership

Pamper You Day Spa is a Sole Proprietorship owned by Marlene Smith. She functions as manager for Pamper You Day Spa. She has been a marketing and sales professional for over 15 years with a proven track record, who has been working in the medical industry for the last five years. While her tenure with X Company, a leading dental manufacturer, she built the Metropolis territory from \$400k per year to over \$1.8 million per year. Earlier in her career, as a leasor / manager for an Apartment community, she consistently maintained a 100% lease level while managing a 140-unit apartment community. Prior to that, she worked in the budget department for an overseas United States Military installation in Bamberg, Germany. Her unique cold-calling, sales, budget, management and people skills will be a perfect fit for building the client-base in a new business and seeing it through to success.



**Start-up Expenses:** Legal \$2,500 Printing, stationery, bags, grand opening coupons \$3,500 Brochures \$500 Construction/Design \$45,000 Insurance \$2,000 Rent \$17,000 Research and Development \$0 Advertising \$5,000 Accountant \$950 Linens \$4,000 Other \$0 Total Start-up Expenses \$80,450 Start-up Assets Cash Required \$35,000 Start-up Inventory \$6,000 Other Current Assets \$32,095 Long-term Assets \$0 Total Assets \$73,095 Total Requirements \$153,545

### Market Analysis Summary

There are several existing day spas and a number of individual LMTs (Licensed Massage Therapists) in Carefree County, but none with our service/product range within a five mile radius. To find a such a comprehensive day spa, residents currently have to travel into the city. The going rate for massage in Carefree County is \$70-90 per hour, which is slightly above most of the other residential areas in the metropolis, which can even be as low as \$40 per hour in saturated or low-income areas. This larger metropolitan area spent \$464 million on entertainment and recreation in 2004. We are primarily targeting potential clients within a five-mile radius of Culway Plaza with a household income over \$25,000. Our secondary market will include visitors staying in a local hotel. 70% of the local and visiting population might be targeted.

### Strategy and Implementation Summary

Our strategy is to implement the most aggressive marketing and networking in the community---followed by the best services in the business. Our prices ar competitive for the area, and our personnel plan, which includes using a pool of skilled, commissioned therapists and aestheticians, will give us a financial advantage.

## Competitive Edge

Our competitive edge is our ability to market effectively and creatively to bring in the clients and then back that up with the best service and products in the business. In addition, our combination of unique services, outstanding location and our interaction with the customers are setting us up for huge success.

## Marketing Strategy

**Local Advertising & Seasonal Promotions** - Local newspaper advertising, local fliers, grand opening party kick-off and promotion for first 30 days. Continue regular advertising and plan for seasonal events like Christmas, Valentine's, Mother's Day, Prom and New Year's.

**Local Networking** - Charities, women's groups, country clubs, wedding planners, and membership with the **Metropolis Chamber of Commerce**.

**Health Care Referrals - prior to opening**, create new contacts with health care providers, especially chiropractors. Also, become a Provider with health insurance companies that offer Alternative Care to their members. Most people don't know that massage therapy is usually paid by insurance when billed correctly and when prescribed by a physician. When the insurance does not cover the entire amount of a service the client will pay the difference. A list of acceptable insurance company plans will be made and those clients will be able to handle massage therapy through their insurance.

**Hotel Referrals** - Hotels that do not offer their own spa services will send their guests to our spa or use our out-call spa services. Prior to opening, I will make contacts with managers and concierges at local hotels to ensure they are aware of the services available. Promotions will be offered to professionals in these industries to create buzz and build relationships.

**Online Website** - our spa will show up on every major search engine and in the phone directory. The website will have a full menu of services and eventually have the ability to schedule appointments on-line. The spa software we are using will allow a user to see the schedule and make an appointment without making a phone call.

**Location traffic** - It is imperative that we be located in a high-traffic strip mall that is high-end, modern, and clean. We prefer locating near a complementary business like a nail or hair salon that does not offer any massage or facial treatments.

## 7.1 Important Assumptions

We assume cash payments for all services, except for the 1% of sales projected as insurance reimbursements, with collection days at 90. The collection days are for insurance billings only. Two of the more important underlying assumptions are:

1. We assume a strong economy, without major recession.
2. We assume, of course, that there are no changes to the Medical/insurance Industry, such as the nationalization of health care.

Source: [http://www.bplans.com/day\\_spa\\_business\\_plan/financial\\_plan\\_fc.php](http://www.bplans.com/day_spa_business_plan/financial_plan_fc.php)



## Financial Planning

Financial planning is the cornerstone of all business activities. It helps to assess current financial state and potentials and shows how the business will afford to reach its goals and objectives. With its help it becomes clear whether the business idea is viable. It can cover many areas of business finances. **Budget planning** focuses on revenues and expenses the enterprise can expect, **investment planning** sets investment goals, a **financial statement/financial report** gives an overview of the financial state of the enterprise while a **financial forecast** tries to predict financial performance of the enterprise in the future. The three basic financial statement documents are:

- **profit and loss account/income statement (US)**

shows the financial performance of the business over a period of time, comparing costs and revenues, it is similar to a motion picture showing the company in operation. It shows how profitable the company is.

- **balance sheet**

shows the financial position of an enterprise at a given period of time, usually at the end of a financial year. It lists what things the company owns (assets) and what it owes (liabilities) in two lists. It is like a still life.

- **cash flow statement**

shows the cash flowing into and out of the business, it detects the sources where the company got cash from and where the cash was spent over a period of time. It is like a diagnosis about the company's health, i.e. solvency/liquidity. It provides an investor insight into a company's credit worthiness and overall financial health.

## Speaking

### Dialogue 1: Discussing costs of running a business

**Role A:** You and your friend would like to open a little boutique in the main street of your home town. You both think you can bring up the necessary capital. You are meeting to discuss the costs of the enterprise. Act out your role while focusing on the following points:

- You suggest buying the shop, in case your enterprise fails, you can still let it out to other businesses
- mention the possible operational costs, salaries
- you would like to spend on marketing and sales promotion, too
- agree on drawing up the necessary financial statements to get a better overview

You are starting the dialogue.

**Role B:** You and your friend would like to open a little boutique in the main street of your home town. You both think you can bring up the necessary capital. You are meeting to discuss the costs of the enterprise. Act out your role while focusing on the following points:

- You would like to rent the shop, you think you shouldn't risk so much money till you see your business concept will work in practice
- in recession you don't think that so many people would like to rent a property for business purposes
- list some administrative costs and technological costs
- you find the costs too high, you don't want to take out a loan or a mortgage
- recommend drawing up a financial plan

Your partner is starting the dialogue.

### Supplementary information:

#### Costs of a start-up enterprise

- **Costs of stocks and shop equipment,** clothes, accessoires, counter, hangovers, coat racks, shelves, gondolas, mannequins, a cash counter, till machine, air conditioning, delivery costs, shipping insurance
- **Professional fees/outsourced services:** attorney fees for ongoing consultation, costs of registration, retaining an accountant, interior designer, graphic designer (logo)
- **Technology costs:** computer hardware, computer software, printers, website development and maintenance, high-speed internet access via cable modem and cordless telephone, security measures: burglar and fire alarm, IT consulting
- **Administrative and overhead costs:** Various types of business insurance, office supplies: stationery, local tax, licenses and permits, express shipping and postage, product packaging, parking, rent, utilities (gas, water, electricity), depreciation, repair and maintenance, phones,





copier, desks, chairs, filing cabinets – anything else you need to have on a daily basis to operate a business

- **Sales and marketing costs:** marketing materials, flyovers, business cards, direct mail, printing and distributing, advertising in the local paper, grand opening party, fair or trade show attendance or sponsorship, trade association or chamber of commerce membership fees, travel and entertainment for client meetings, mailing or lead lists, coupon design and printing
- **Wages and benefits:** Employee salaries, payroll taxes, benefits, workers compensation

## Dialogue2: Renting an office

**Role A:** You are Martha/Mark Barta. You are going to work in the capital city for the next few years. You would like to rent an office close to the centre. You have read the online advertisement of a real estate agency. You are calling the estate agent to inquire about the office. Act out your role by following the guidelines:

- refer to the advertisement, ask for information about the location
- location and size, condition, parking facilities, public transport connections,
- ask about office equipment, Internet access, air conditioning, entry phone, reception service
- you would like to rent the office furnished
- ask about the rent and what it contains
- discuss the method of payment
- you find the rent too high, try to persuade the agent to lower the price about
- when is it available? You would like to move in next month.
- ask for a contract draft
- make an appointment with the agent to visit the flat

You are starting the phone conversation.

**Role B:** You are an estate agent working for a real estate agency in the capital city. A potential client is calling you to inquire about your advertisement. Give him/her the necessary information about the property:

- the office is furnished, centrally located, the building was fully redecorated,
- you would like to get a two months' rent plus a deposit of GBP 400 in advance.
- You can go down a bit, that is 10% off the total sum on condition that the client will rent it for a two-year period
- The office will be free from next week on.
- you are sending a contract draft
- make an appointment with the client to show him/her around

Your partner is starting the phone conversation.



### Dialogue3: Assessing investment environment

**Role A:** You are Edit/Imre Halász, a Hungarian investor. You would like to buy an appartement on the Croatian coast partly for commercial use partly for personal use and spend your holiday there with your family. You would like to get some information about the Croatian property market:

- introduce yourself and tell about your plan
- you heard about the EU referendum in Croatia, how will it influence the property market
- ask about the professionalism of Croatian estate agents
- ask whether you need to apply for a residence permit

You are starting the phone conversation.

**Role B:** You are the investment expert in the local branch office of the Croatian Chamber of Industry and Commerce. A client would like to buy an appartement on the Croatian coast, in your home town. Anser his questions while following the next points:

- offer your help
- summarise the basic facts about the Croatian real estate market
- what do you expect from Croatia's EU accession

Your partner is starting the phone conversation.

### Supplementary information

#### Investment opportunities on Croatia's property market

There are hopes that the property market in Croatia will be far better this year as enquiries are already up from the previous year. While sales volumes are still low investors who have shown interest over the last year are now beginning to buy, and its hoped that as economic conditions in Europe continue to improve this trend will continue.

Currently, there are two methods of **purchasing property in Croatia**, as an individual or as a **registered limited liability** company. As of February 2009 citizens of European Union have the same **property purchase rights** as Croatian citizens and can therefore buy **property in Croatia** as private individuals and without the need to gain permission from the Ministry of Foreign Affairs, as was previously necessary. Incorporating private limited company is a process that takes up to 14 days and involves your lawyer, notary public (fee of ca 700 EUR required) and the Commercial Court. Authorized capital (HRK 20,000) equal to ca. 2,700 EUR must be paid in cash onto the company bank account, and the receipt of deposit should be enclosed when registering a company. An accountant needs to be engaged in running the company during and after the buying process.



The cost of running a company in Croatia starts at €100 / month for a basic service upto €300 / month for a full service. When the company buys the property, the contract is deposited at the local Court and is processed in order to obtain title deed. As is the case in most countries, capital gains tax does not apply to a Croatian doo. Instead, company (profit) tax is payable and at a rate of 20% Homes that are by the coast are popular and fetching prices that are not too far off previous year's highs. Those that are near the sea are also selling well and make an ideal investment as there is still an oversupply of apartments which has led to some heavy discounting.

Before the recession, Croatian estate agents tended to be ill informed and did not provide a good service, but luckily that has now changed, and they are a lot more competent and price properties correctly. In general property prices in the country have fallen 20 to 30% but it is difficult to quantify these figures as there is a real lack of reliable data.

Croatia is soon to become a member of the EU. It's difficult to estimate how much of an effect accession to the EU will have on Croatia property prices, but it is expected to be positive.

Source: <http://www.property-abroad.com/croatia/news-story/property-enquiries-increasing-in-croatia-19317004/>

#### **Dialogue 4: Renting a car**

**Role A:** You are Alaxandra/Antal Nemes, you have been employed as a marketing manager of a well-established multinational company at their London headquarters. You would like to work there permanently and need to lease a car for your job, which involves a lot of travelling. You are calling the London subsidiary of Guildford CarLeasing Ltd to inquire the terms and conditions of car leasing. Discuss the following points:

- You need the car for both of your job and personal use in London.
- Given your marital status (single), a smaller model would meet your needs.
- As you intend to stay abroad for a longer time and would lease the car for many years, ask for possible discounts.
- Ask about the costs of insurance
- Your company would pay for the leasing and petrol costs.
- Ask for possible extras
- Ask for an email listing the parameters of the car for the time being.

You are starting the phone conversation.

**Role B:** You are Georgia/Gregor White, executive of the London subsidiary of Guildford CarLeasing Ltd. A would-be client is calling you to inquire about the terms and conditions of car leasing. Discuss the following points:

- Ask him/her for what purpose the car will be needed
- You can offer a wide range of company cars both smaller and bigger, exclusive model.





**Hungary-Croatia**  
IPA Cross-border Co-operation Programme

Training material for the SPEAK THE SAME project (HUHR/1001/2.2.3/0002/02)

- Recommend him/her the car from your latest advertisement.
- For regular customer you can grant a 10% discount from the second leasing year on automatically.
- Explain to him/her the cost of compulsory car insurance.
- Ask for his/her company's adress and phone number to discuss with them the ways of payment.
- You can send him/her parametres of the car by email. Tell him/her to phone you back tomorrow after considering your offer.

Your partner is starting the phone conversation.



The project is co-financed by the European Union through the Hungary-Croatia IPA Cross-border Co-operation Programme

## VAUXHALL

### INSIGNIA SALOON

#### 1.8i 16V Exclusiv 4dr

Always stylish. Always Flexible. Vauxhall could be the most reliable partner you've ever had. Easy to drive, simple to park and affordable to own. Its everything you need to make a busy life simple. The Vauxhall is designed to make life simple in the city or out of town. It's the perfect partner for an active lifestyle. The Vauxhall looks brilliant from every angle. Every model has its own unique personality, so all you have to do is choose the one that matches yours.

Price for 36 months / 10,000 mpa **£269** per month\* [LEASE QUOTE](#)



#### Optional extras:

- Mobile phone system with Bluetooth and shark fin aerial (does not include telephone) **+£150**
- Front and rear parking sensors **+£365**
- DVD 800 Navi system with colour monitor/radio/CD/MP3,aux-in,USB, shark fin aerial, multifunction infotainment controller and electronic parking brake **+£1,200**
- Full size steel spare wheel **+£100**

#### Typical Insurance Quote

**£32.81** per month

£393.72 per year

- **Please note:**

All prices shown are on base model vehicles.

All contracts are based on 36 months and 10,000 miles per year.

All prices shown on this website are Business Contract Hire prices and exclude VAT



## Writing

### Communicating business ideas

#### Asking for approval

Task: You would like get approval for a green field project in a small town. Write the representative of the local authority an email about your plan and try to convince him of the benefits of the investment for the local community.

- Describe your business plan in about eight sentences
- Mention the positive points of establishing a new production plant in the area (new jobs are created, less unemployment at local level, development of infrastructure) Refer to the tax revenue from the company and the possibility that your plant will attract more businesses.
- inquire about the official steps to be taken for official approval
- Send attached your business plan, offer a meeting and ask for immediate feedback.

### Internal communication

#### Circular letter (robin letter/round robin)

is a written document used in two ways. It can be addressed to a closed group of people, serving internal communication in companies. It is usually sent by email, informing colleagues about events, changes, competitions, opportunities or regulations or asking them to perform certain tasks. It can also be written to customers, business partners informing them about news related to the company e.g., a new product, grand opening of a new shop, an exhibition etc. It is usually printed in brochure, flyer format posted into mailboxes (Direct Mail) or sent in an envelope or jacket by mail or sent by email.

Circular letters sent by mail should have a heading too:

Company Name

Address

Date:

Ref:



If it is written by email it should have the following heading:

From: Head of HR Department  
To: All employees  
Subject: Late coming  
Date: 23.02.2012

It has been observed very frequently that most of the employees are regularly coming late to office. A few members of the staff have also been absent from work without any prior announcement for reason of their absence.

The management has taken a very serious note of the above.  
Please note the following as a strict warning:

- LATE COMING: any employee's coming late by more than 05 minutes except 3 times will be marked absent for half the working day and salary will be deducted for the subsequent period.
- SHORT LEAVE : only two (2) short leaves are allowed in a month. The duration of one short leave is two hours. This can be taken any time during a day with prior information to HR Department by giving **leave application form** duly signed by the authorized signatory/ H.O.D.
- LEAVE APPLICATION : Any employee being absent without prior information will be marked absent for the day, leave application must be given in advance before taking any type of leave to H.R. department. In case of any emergency, the leave shall be granted without any prior information but the person has to submit the leave application form immediately once (s)he returns to work. In this case a telephone call is mandatory.

All are requested to kindly follow above.

Task: You are working for the local Chamber of Commerce and Industry. You are in charge of organizing a 2-day conference for your colleagues about the current state of SME funding in your country. Write a circular letter inviting them to the conference and include the following points:

- invite them to the event (state topic, date, length and venue)
- conference programme (plenary session with renowned speakers, workshop)
- free transport by company bus, no admission fee
- accommodation in rooms with half board (breakfast and dinner)
- lunch and snack are provided during the conference
- leisure facilities in the hotel (wellness, squash, etc)
- evening programme (musical)
- attendance is compulsory, absence should be announced in advance

