

# Instruction texts

## Introductory instruction text:

Planning is the only way to influence the future. You can also test an idea without a plan and try its functioning as, for example, a 'light entrepreneur' (who invoices customers through an invoicing service company). The significance and purpose of a business plan is to describe and analyse how a business idea will be implemented and how financing will be organised.

An idea becomes a business idea when you have enough information on the market. The market is a space where buyers and sellers, as well as demand and supply, meet, which results in a price. Making the plan challenges you to develop your business idea to reach a level where you can ensure that the idea has a large enough market, that you recognise the customer and have enough fact-based information, procedures and funding, which will allow you to acquire customers.

Creating the plan also highlights potential needs to develop your expertise. When working on the plan, you make the first decisions of your entrepreneurial path. When you focus on planning customer acquisition, value creation and sales, you are drafting a plan that serves as a tool for funding acquisition and communication between different parties – you, stakeholders, and the financier.

One more important thing: business plans often lack a mission statement, which describes why the company exists and what it aims to accomplish. The mission statement explains how the company influences its customers' lives and activities. You can also crystallise this later but reflect on the mission statement at an early stage as part of your enterprise's policies, image and communications.

## Instruction text 1:

Ideation is exciting and inspiring. The positive feeling of generating a new idea is worth keeping in mind as a resource and reserve of strength. Progress is then based on various things, such as your own goal and the way the idea is put into practice. To make the idea grow and develop into a business idea, you must roll up your sleeves and focus on thinking. The idea develops through questions, openly accessible information, and numerical data. What kind of a problem or challenge will your idea solve; how and for whom? How has the world managed until now even though the idea has not existed yet? Or has it, after all?

Pay attention to value production in your idea. What does it actually mean? The market determines the price and you the quality of the service. Think first how you will build the added value of the service, so that you can stand out even in a competitive market. Customers consider buying a product/service at a certain price and compare it to the benefit and value they receive; therefore, plan what you can do better than others to make it easier for your customer to buy from you.

It is good to remember the following two principal rules when developing an idea: (1) Consumers' purchasing behaviour is guided by a happy state of mind, and (2) a company aims at saving resources and improving its own result.

## Instruction text 2:

When starting a business, you will encounter situations where – in addition to your expertise – you need continuous motivation and ideation skills. Problem-solving skills will also be useful. A person who starts a business for the first time is seldom a perfect expert fully prepared for the task. It is more important to realise that progress and operation are about learning and doing. Business can be planned until a certain point, where the real activities can start, but the plan will change because customer needs, the market and even demand are fickle.

Therefore, keep an open mind when thinking about your expertise. What kind of a network will you build around your idea from people whom you either know or genuinely learn to know? If you intend to do as much as possible yourself, calculate a price for all your hours. Schedule the activities within the company's daily work and calendar, and you may notice that it is wise to outsource most of the activities that take time from customer acquisition and sales. You can also attach a CV and a free-form description of your expertise to your plan. Practise describing your skills already at this point – you may soon have a chance to present yourself to potential customers.

### **Instruction text 3:**

Remember that demand and supply are two different things. Demand refers to the amount of products and services that the customer – either a consumer or a company – is ready to buy at the price you define. When you analyse demand, you are carrying out important background work for your business plan.

Searching for information and background work do not prevent you from getting start-up funding. This means that you can analyse your customer potential and demand, but do not register your business or market your services in advance with the company name. The business specialists of TE Services will provide further information. Start by looking for online information related to your idea; use different search words depending on whether your customers are consumers or companies. Familiarise yourself with different consumer types and purchase behaviour; if your customer is a company, examine how your target companies and the branch are doing.

Because there is competition in all lines of business, mapping the competitive situation is also an important part of market analysis. If there seems to be no competition, it is possible that there is no demand either. You should identify your competitors, in other words, enterprises that respond to the needs of the same branch or the same customer. From the best competitors you can learn how to succeed, and analysing your competitors makes it easier for you to identify and develop your own competitive tools. It is often enough that you do it just a little better than others do, if you produce additional value/benefit for your customer in a meaningful way.

Every idea will eventually encounter competition. That is why it is important to test and develop your idea in order to learn the means of success at an early stage in the field of competition. However, you need not – and should not – reflect on the information concerning the idea alone. We at the Keski-Suomen Yritysidea can help you and promote your progress in many ways.

### **Instruction text 4:**

As an entrepreneur, you will encounter various situations where you repeatedly tell people – customers, networks, and partners – about the products and services you sell. Plan what else your satisfied customers could buy from you in the future and how you will maintain customer relationships, also considering word-of-mouth promotion. Test the sales and demand of the product/service as early as possible with, for example, your acquaintances. Ask them if they are willing to buy it. Most of them may say no. Next, ask them why they would not buy it, which means that you are already doing preliminary market analysis. Utilise and report your findings in the business plan.

When selling your own expertise, productise it and turn it into a service. Productization means that a product/service is concretised as, for example, a brochure or website – a tool that helps you make a sellable product or service visible. Productization is important in all branches when planning and aiming at a positive customer experience. Note that productization is not the same thing as production.

### **Instruction text 5:**

How are your customers as individuals? Where do they spend time and what do they do? When your customer is a consumer, examine your target group's purchase behaviour and ways of buying. When your customer is a company, learn to know the company and the branch like the back of your hands. Remember that, in principle, your and the customer's starting points and worldviews are not the same in marketing. External specialists are helpful here because they can view your activities from the perspective of a potential customer. Follow actively the social media posts and activities of entrepreneurs in the field, as well as the events they organise.

Create a concrete marketing plan focusing on the target group and estimate the costs of customer acquisition. Contact marketing companies, arrange meetings with them, and invite preliminary offers on cooperation. This way you receive basic information for your plan and make sure that you are proceeding realistically. The plan should include a description of the target group and specify how your marketing measures promote sales. This is a way to clarify for the reader how you carry out marketing, promote sales, make the company visible, and increase public awareness of it.

Marketing sums up the business activities as a whole from a customer perspective. Create a concrete action plan. One way to structure your use of time and practices is an 'annual clock', where you can plan actions at a monthly level, for instance.

### **Instruction text 6:**

Describe the company's daily activities and the information you currently have regarding the organisation of practical issues. You can outsource (i.e. buy from other entrepreneurs) services such as bookkeeping, insurance, marketing, and expert services. For self-employed entrepreneurs, it is often important to do things themselves and cost-efficiently. It is still good to remember the significance of time resources: your time is money in a concrete way when you calculate the hourly price of running, fixed costs.

Plan your use of time so that your calendar includes a repeated earmarking for direct, active sales work. Decide how many contacts/actions you allot for each day. A suitably disciplined way of working and a wise utilisation of resources are among the most important entrepreneurial skills, which also include the management of your own resources and time, in addition to financial resources.

### **Instruction text 7:**

Perform your calculations approximately correctly rather than precisely incorrectly. Make sure that you know enough about the cost structure to avoid later surprises. You can reflect on costs with the help of a profitability calculation. In the planning phase, you make an estimate that will be specified when you get offers for the services you purchase (e.g. bookkeeping, insurance, customer acquisition).

A financial statement includes estimates of initial purchases and investments as well as fixed costs for one to three months, depending on the start of revenue stream. In the calculation, you should also take into account your own livelihood: your private use / salary costs.

The sales budget is based on your customer acquisition plan and challenges you positively, because you can do it by (1) planning a realistic implementation of customer acquisition and sales, considering available time resources, (2) defining the price level and model, and (3) setting a sales target at a daily/weekly/monthly level. Calculate how many yearly customers you need to keep the business going, depending on your branch. For example, in the service sector, customers can have several yearly visits (e.g. hairdressers, beauty salons, health care).

The cash flow statement is an estimate of the sufficiency of allotted funding and the enterprise's monetary transactions. The calculation includes the monthly payments effected to and from the enterprise. The calculation will show you the cash flow of the first year of operation at a glance, and you will get an idea of the development of cash compared to the funding you have allotted, as well as the distribution of costs for different months in relation to the sales target.

The calculations also help you plan pricing. As for pricing, it is good to think what your focus is at the beginning: price or service quality. Consider if you can develop the pricing model (piece, hour, project, service process) of your product/service by refining the idea and productising your skills as surplus products and/or services.

You can use the calculations to test whether the customer acquisition measures recorded in the plan and the sales plan support each other as a whole. If you are planning to proceed spontaneously, in other words, you implement the basic marketing tools and monitor whether customer contacts arise, more time will pass and testing the idea will cost more. You will progress more rapidly and save resources when you acquire customers in a systematic and goal-oriented way.

The calculations show you whether the idea has reached a level where it is ready for implementing. The business plan and the calculations together tell you the basis for invoicing.

### **Instruction text 8:**

The funding application process is made easier and quicker by planning and goal-oriented, realistic calculations based on market data. The calculations are made for two to three years, depending on funding need and structure, as well as on whether the activity is self-employment or business in a growth-seeking enterprise. When you plan and arrange sufficient funding, you ensure the resources of the enterprise and your own possibilities to focus on the essential – sales work. You can finance business activities with the company's earnings, self-financing or external funding from a bank or Finnvera, for example.

When financiers weigh whether to grant funding for your business, your and your company's financial situation, solvency and future prospects play a key role. Therefore, the business plan and calculations are an important account of the future success of your company. A business loan requires collateral security, such as real property. The collateral security can also be a guarantee, for example, Finnvera's Start Guarantee.