
Business Plan

Vivienne Powers

GRAPHICS DESIGNER

BUSINESS PLAN FOR VIVSTERS

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GRAPHICS DESIGNER

BUSINESS PLAN

1 INTRODUCTION

My name is Vivienne Powers and I reside at 85 Wood Lane, Pelsall, WALSALL WS3 5DZ.

I have been employed for the past four years as a graphic designer with a Derby based web design company DEVMAC. My colleagues and I were made redundant when the firm announced it had 'ran out of money'. With the experience that I have gained I believe that this is the right time to set up my own business offering a Graphic Design service. I will operate my business both from home and offering to work in company offices. I will target the SME market (small and medium sized enterprises). My key objective is to offer my clients a quality service, and build a successful business that will give me financial security in the future.

2 THE BUSINESS

I am fully qualified in Graphic Design and have over twenty years experience in the field. My services will mainly include the design of websites, company collateral, corporate identity, packaging, e-marketing and illustration etc. Initially I will work in the business on my own, but if successful I will consider employing a young assistant.

The business will be called Vivsters and will be formed as a sole trader.

3 MARKET INFORMATION

3.1 Products and Services

I will offer the following range of graphic design services:

- Design work for a wide range of products including labels, packaging, company brochures, corporate identity, company logos etc
- Multimedia and web design, web admin control
- Direct mail concepts

3.2 Market

My target market will be SMEs in the Walsall locality. The Business Opportunities Profile that is included in the General Appendices points out that SMEs are unable to afford the cost of in-house design teams and are looking for businesses like mine to design business stationery, packaging, promotional literature, websites etc. on a freelance basis. The sector is a growth one as more and more companies place an increasing emphasis on the image that they want to convey to their customers. From my previous experience I am confident that I can gain work in my target market.

3.3 Competition

My competition will come from the following main sources:

- Other local freelance graphic designers
- Media digital design companies

I have researched my local competition and believe that the high standards that I will set in my work will allow me to compete with them. I will set my prices to be competitive but so as to allow me sufficient profit margin to build a viable business.

3.4 Marketing Activities

I will advertise in the Yellow Pages and also periodically in the local newspaper (Walsall Advertiser), which has a good circulation within the local business community. My aim will be to establish a regular clientele and benefit from word of mouth recommendations. I will also introduce the following promotional activities to market my services:

- Mail shots and press releases to SMEs outlining my services
- Networking through Birmingham Chamber of Commerce
- A regularly updated portfolio featuring previous work on my website

3.5 Prices and Margins

I have carried out extensive checks on the hourly rates being charged by my main competitors and have based my prices on being 5% cheaper than them.

Contracts will be priced based on my hourly rate of £20. The only direct costs associated with the business are in respect of paper and other consumables, which have been estimated at 1% of sales, thereby producing a gross margin of 99%. This pricing structure will allow me to make sufficient profit to build a viable business. Much of my design work is communicated electronically which is why my direct costs are low.

6. Sales Plan

First year sales assume a steady growth in the customer base. In years 2 and 3 I am assuming annual growth of 10%, as I benefit from advertising and word of mouth referrals. My sales plan is as follows:

YEAR 1	YEAR 2	YEAR 3
£	£	£
30,000	33,000	36,300

I estimate that I will work 40 hours per week and that 25% of my time will be given over to travelling, preparing quotations and carrying out routine administration etc. My turnover forecasts in the first year are therefore based on generating 30 chargeable hours per week over 50 weeks of the year. My turnover forecasts are shown in the Financial Appendices.

4. LOCATION

I will work from my home at 85 Wood Lane, in order to keep overheads as low as possible, and to allow me to get my business established. If successful I may consider leasing small office premises at some time in the future.

5 PEOPLE

Initially I will operate the business on my own but if successful will consider employing a young assistant. I will look after the administration and record keeping of the business on a day to day basis, but will employ an accountant to prepare my year-end accounts and tax return.

6. CAPITAL EXPENDITURE

The following is a summary of the capital expenditure that is required for the business. Full details are contained in the General Appendices.

	£
Drawing Equipment/software subscriptions	1,000
Car	3,000
Computer	<u>1,000</u>
	<u>5,000</u>

I already own all of these assets with no outstanding finance along with some basic office furniture.

7 FINANCE

1. Viability

The forecast trading results for the first 3 years of trading are as follows with the details being shown in the Financial Appendices attached:-

PROJECTED PROFIT AND LOSS ACCOUNT			
	YEAR 1	YEAR 2	YEAR 3
	£	£	£
Sales	30,000	33,000	36,300
Less: Direct Costs	300	330	363
Gross Profit	29,700	32,670	35,937
Less: Overheads	6,193	6,563	6,983
Add: Grants	0	0	0
Net Profit/Loss	23,507	26,107	28,954

2. Direct Costs

Direct costs are in respect of sundry design consumables such as drafting and printing paper and have been estimated at 1% of sales.

7.3 Overheads

Insurance

A budget of £300 has been allowed for business insurance payable monthly.

Use of House

A provision of £360 has been made as an accrual at the year-end for the use of a room in my house as an office.

Postage & Stationery

£60 has been allowed to acquire an initial stock of stationery. Thereafter £10 per month has been provided making the charge for the year £170.

Marketing & Promotions

As discussed in the marketing section, £150 has been provided for the cost of fliers and business cards at start up, and £50 per month thereafter for advertising in the Yellow Pages and the Anytown Post, giving a total annual cost of £700.

Telephones

An amount of £50 per month has been provided for telephones including business use of my home phone and my mobile.

Travel & Motor Expenses

Car use will be extensive and the following amounts have been provided in the first year:

	£
Road Fund Licence	160
Insurance	600
Servicing	400
Fuel	<u>1,200</u>
	<u>2,360</u>

Professional Fees

I will maintain my own bookkeeping records but have allowed £300 as an accrual for my accountant to prepare my self-assessment returns at the end of the year.

Other Expenditure

An amount of £120 has been provided in the first year for sundry expenses.

Depreciation

The following depreciation rates have been charged in the forecasts on a straight-line basis:-

Motor Car	25%
Tools & Equipment	20%
Computer	33%

On this basis depreciation charged in the accounts amounts to £1,283.

4. Cash Flow

A Monthly Cash Flow Forecast has been prepared for the first year of trading to calculate the funding requirement for the business. The forecast is based on the following assumptions:

Credit Allowed to Customers

I have assumed that I will receive full payment for work carried out within one month of completion.

Payments to Suppliers

No credit is assumed from any suppliers and all expense items are assumed paid as they arise.

Drawings

My drawings will be dependent on my business trading in line with forecasts. In the first year I am targeting £1,300 per month.

5. Funding

Taking account of all of the foregoing and allowing for a small contingency, the forecasts show that £7,000 will be required to fund my business. I will fund the business from my personal resources and will introduce £2,000 in cash prior to commencing to trade along with the assets detailed in Section 6.

“It is possible that this business may qualify for start-up funding from local or national sources. These sources of funds are often at the discretion of the various funding bodies, and have not therefore been included in this Specimen Business Plan. You should consult your business adviser about how to apply for relevant funds”.

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PROJECTED PROFIT & LOSS ACCOUNT

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	YEAR 1		YEAR 2		YEAR 3	
	£	£	£	£	£	£
<u>SALES</u>		30000		33000		36300
<u>DIRECT COSTS</u>						
Materials/Stock	300		330		363	
Total Direct Costs		300		330		363
<u>GROSS PROFIT</u>	99.00%	29700	99.00%	32670	99.00%	35937
<u>OVERHEADS</u>						
Use of House & Insurances	660		700		750	
Postage & Stationery	170		200		220	
Marketing & Promotions	700		750		800	
Telephones	600		650		700	
Travel & Motor Expenses	2360		2500		2700	
Professional Fees	300		330		350	
Other Expenditure	120		150		180	
Depreciation	1283		1283		1283	
Total Overheads		6193		6563		6983
<u>TRADING PROFIT/(LOSS)</u>		23507		26107		28954
<u>GRANTS</u>						
Grants - Others/ Other income	0		0		0	
Grants - BSuA	0		0		0	
Total Grants / Other Income		0		0		0
<u>NET PROFIT/(LOSS) BEFORE DRAWINGS & TAX</u>		23507		26107		28954
Personal Drawings		15704		18000		22000

MONTHLY CASH FLOW PROJECTION

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	PreS trt	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	TOT AL
<u>INCOME</u>														
Sales Income (Turnover)	0	0	200 0	200 0	260 0	260 0	260 0	260 0	260 0	260 0	2600	2600	2600	2740 0
Owners Investment	7000	0	0	0	0	0	0	0	0	0	0	0	0	7000
TOTAL INCOME	7000	0	200 0	200 0	260 0	260 0	260 0	260 0	260 0	260 0	2600	2600	2600	3440 0
<u>EXPENDITURE</u>														
Materials/Stock (Cost of Sales)	50	20	20	26	26	26	26	26	26	26	26	26	26	350
Insurances	0	25	25	25	25	25	25	25	25	25	25	25	25	300
Postage & Stationery	0	60	10	10	10	10	10	10	10	10	10	10	10	170
Advertising, Publicity & Entertainment	0	150	50	50	50	50	50	50	50	50	50	50	50	700
Telephones	0	50	50	50	50	50	50	50	50	50	50	50	50	600
Motor Expenses	0	310	150	250	150	150	250	150	150	250	150	150	250	2360
Capital Expenditure	5000	0	0	0	0	0	0	0	0	0	0	0	0	5000
Personal Drawings		130 0	130 0	130 0	130 0	130 0	130 0	130 0	130 0	130 0	1300	1300	1300	1560 0
Class 2 NIC		8	8	10	8	8	10	8	8	10	8	8	10	104
<i>Other Expenditure</i>	0	10	10	10	10	10	10	10	10	10	10	10	10	120
TOTAL EXPENDITURE	5050	193 3	162 3	173 1	162 9	162 9	173 1	162 9	162 9	173 1	1629	1629	1731	2530 4
<u>SURPLUS/DEFICIT</u>	1950	-19 33	377	269	971	971	869	971	971	869	971	971	869	9096
OPENING BANK BALANCE		195 0	17	394	663	163 4	260 5	347 4	444 5	541 6	6285	7256	8227	0
SURPLUS/DEFICIT FOR MONTH	1950	-19 33	377	269	971	971	869	971	971	869	971	971	869	9096
CLOSING BANK BALANCE	1950	17	394	663	163 4	260 5	347 4	444 5	541 6	628 5	7256	8227	9096	9096

PROJECTED BALANCE SHEET

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<u>FIXED ASSETS</u>	£	£	£
Cost			5000
Cumulative Depreciation			-1283
<u>NET FIXED ASSETS</u>			3717
<u>CURRENT ASSETS</u>			
Stock & Work in Progress	50		
Trade Debtors	2600		
Prepayments	0		
Cash on Hand/In Bank	9096		
		11746	
<u>CURRENT LIABILITIES</u>			
Trade Creditors	0		
Accruals	660		
Taxation	5324		
VAT	0		
PAYE/NI	0		
Bank Overdraft	0		
		5984	
<u>NET CURRENT ASSETS/LIABILITIES</u>			5762
<u>LOANS</u>			
Bank		0	
Other		0	
			0
<u>TOTAL NET ASSETS</u>			9479

<u>CAPITAL ACCOUNT</u>	£
Owners Investment	7000
Profit for Period	23507
Personal Drawings	-15704
Taxation	-5324
	9479