

LEARNING MADE EASY



Australian Edition

# Planning a Profitable Business

for  
**dummies**<sup>®</sup>  
A Wiley Brand



Build a business  
with profit in mind

Use smart pricing to improve  
your bottom line

Identify your  
competitive edge

**Veechi Curtis, MBA**

Author of *Small Business for Dummies*,  
*Bookkeeping For Dummies* and *MYOB<sup>®</sup>*  
*Software For Dummies*





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Australian Edition

**by Veechi Curtis**

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# Introduction

I confess to feeling a little ambivalent about the title of this book. While ‘Planning’ and ‘Profitable’ offer a delightful opportunity for alliteration, to go into business with only profits in mind is the antithesis of my usual approach. To my mind, successful business is at its best when it reflects the values and interests of the owner, and when the owner’s enthusiasm for what they do shines bright.

However, the reason I chose to write *Planning a Profitable Business For Dummies* is this: I’ve met many business owners who love what they do — indeed, they’re hard-pressed to think of anything else they might want to do with their life — but find business profits remain elusive, year in, year out.

In this book, I share the insights I’ve gained over 30 years of working with small business. I highlight the importance of smart strategy and detailed competitor analysis, and take you step by step through the basics of planning for profitability, including finding your competitive edge, pricing, budgeting and financial modelling.

I do hope you can use this guide as a reference to yield more profits — and more pleasure — from the business that is your passion. (How’s that for some alliteration?)

## About This Book

Despite the branding, I don’t think you’re a ‘dummy’ — far from it. For me, *For Dummies* books are about a ‘can-do’ attitude. No matter how inexperienced you are, if you’re ready to give something a go, this book is here to help.

This book (all 11 bite-sized chunks of it) is designed so you can pick it up at any point and just start reading. Perhaps you want to know about profit projections (Chapter 7) but you’re not the least interested in competitor analysis (Chapter 2). That’s fine — just skip the first six chapters and start off from where you want to be.

One more thing. Throughout this book you'll see *sidebars* — text that sits in a separate box with grey shading. Think of sidebars in the same way as you might do about designer brands: Nice to have, but not essential. Feel free to skip these bits.

## Foolish Assumptions

When you work with small business, you learn to assume nothing. I see everything from clients who time all strategic decisions to fit with the stars (no kidding!), to multimillion-dollar enterprises that have grown out of nothing in a matter of months.

So, in this book I try to assume very little about you. You don't need to know anything about business planning, financial projections or marketing, and I try to explain all concepts in the simplest possible way.

## Icons Used in This Book



AHEAD OF  
THE PACK

Want to be streets ahead of the competition? Look for this handy icon.



MONEY  
STUFF

Get out your calculator and start doing those sums. This icon flags money stuff, highlighting vital information for anyone with an eye for making a dollar or two.



REMEMBER

Tie a knot in your hankie, pin an egg timer to your shirt but, whatever you do, don't forget . . .



TIP

This icon indicates handy advice or insights into how to improve your business or make life easier.



TRUE  
STORY

If you can't learn from history, you're doomed to repeat your mistakes. Real-life stories from businesses and people who've been there provide all the history lessons you could ever want.



WARNING

A pitfall for the unwary. Read these warnings carefully (and then you can't say no-one told you . . .).

## Where to Go from Here

*Planning a Profitable Business For Dummies* is no classic work of literature (one day, I promise myself!), and so you don't need to start reading from page one and plough through to the end. Instead, jump in and start reading from whatever section is most relevant to you:

- » In Chapters 1, 2 and 3, I focus on expectations, finding your competitive edge and analysing the business environment in which you operate. Although not particularly financial in nature, these elements of business strategy are key to profitability.
- » Chapters 4, 5 and 6 talk about the building blocks of profitability: Ensuring you have sufficient working capital, setting your prices to maximise profits, and creating ambitious, yet realistic, sales targets.
- » Chapters 7, 8 and 9 go to the heart of financial management, and cover the challenging topics of profitability projections, calculating profit margins and understanding financial statements. Even if you're not a numbers person, and you have an overwhelming instinct to avoid these three chapters, I encourage you to persist.
- » Chapter 10 offers ten fabulous tips for squeezing that extra bit of profit from your business. Chapter 11 follows hot on its heels, providing smart tips about selling your business and reaping the rewards.

Thank you for taking the time to read *Planning a Profitable Business For Dummies*. I hope you find something along the way that helps you and your business flourish.





- » Finding your inner entrepreneur
- » Discovering the secrets for profit
- » Balancing dreams with just a pinch of reality
- » Taking the time to time it right
- » Developing a financial plan

# Chapter 1

## Building a Business with Profit in Mind

**W**hen I talk to people about their business and hopes for the future, I'm aware that I'm in a unique position. Listening to anybody's dreams is a privilege, but even more so when people share their doubts and hopes about this significant part of their lives.

People often ask me for help modelling the financials to support their business idea. They feel that it's the financial plan, and this plan alone, which will reveal the secret of how to make a profit.

Financial plans are crucial to profitability, that's for sure. However, just as important is establishing what you're going to do differently in your business, how you're going to take advantage of this difference, and whether this difference will be something that customers really want.

In this chapter, I touch on all these aspects, as well as the importance of knowing how to temper ambition with realism to keep your expectations grounded, and how to manage the level of risk that any new venture entails.

# Shifting to an Entrepreneur Mindset

For almost all businesses, in order to build something that's truly profitable, you need to create a business where employees — rather than yourself — are the ones doing most of the work.

If you look around you, most medium-sized businesses fall into this category. For example:

- » My local plumbing company has a team of plumbers, each with their own van and apprentice. The owner occasionally helps with tricky jobs, but mostly focuses on management and marketing.
- » The place where my son used to learn piano is a music school, with lots of different tutors teaching different instruments. The owners teach sometimes, but rely on a team of teachers to deliver most of the lessons.
- » A girlfriend of mine has a business selling baby sleeping bags. She no longer stitches each sleeping bag herself. Instead, she still manages the design, marketing and distribution, but has shifted production offshore.
- » My neighbour runs a small chain of three cafes. He rarely cooks or serves tables any more, but focuses on the finances and management.

Can you see that for each of these examples, the owners have made a leap in how they think of their businesses? The plumber is now the manager of a plumbing services company; the music tutors started their own music school; the barista opened a chain of cafes; the seamstress runs a manufacturing company. In all of these examples, the owners no longer unblock pipes, teach violin, serve coffees or stitch fabric. In return, the potential for each of these businesses is that the owners can have more freedom and earn more money than they otherwise would have done.

For me, this transition from owner to entrepreneur is really exciting. Such freedom provides an opportunity to do other things in life that have only been dreams up until now.

If you haven't made this transition, and your business is still dependent on you for pretty much every cent of income, my question to you is this: Have you ever consciously made the decision

not to be entrepreneurial? Or have you never really let yourself imagine how you could do things differently?

If your answer is ‘yes’ to the latter, do try to give the visionary in you some room to breathe. Spend time thinking about how you can grow your business and create something that has a life of its own. Chapters 2 and 3 may help develop your thinking in this way.

## Finding the Secret to Profit

Businesses fall into three broad categories:

- » The first type of business is one that has been done before, and therefore has been tried and tested. I call this a *traditional business*.
- » The second type of business is one that finds its own niche, thereby doing something especially tailored to a small group of customers. I call this a *niche business*.
- » The third type of business is one that launches an entirely new concept on the world. I call this an *entrepreneur business*.

Each category of business has its own secret to profitability, which I explain in the next sections of this chapter.

### Expressing your difference in a traditional business

The most common kind of business (and probably the safest and most reliable) is a *traditional business*. Most retailers and many service businesses fall into this category — for example, bookshops, builders, electricians, florists, hairdressers or software engineers.

While traditional businesses were a safe bet in times gone by, changing technology means that many of these business models are now relatively precarious. For example, bookshops used to offer solid profits, so long as you selected a good location and knew your trade. However, the changes brought about by ebooks and online distribution mean that, nowadays, running a bookshop is a very different proposition indeed. Similarly, a bookkeeping business may have been a steady income stream in the past, but