



MONDAY 2 MARCH

The Big Picture

A comprehensive, detailed business plan doesn't always fully apply to crafty businesses because often they are hobby businesses — a way to indulge a passion and make a little extra money at the same time — however planning does become relevant for crafters if you want to grow the business, whether in terms of quality or quantity. It seems like often crafters drift into the business side of things, so decisions are often made day to day without looking so much at a bigger picture — especially easy to do when you're working on your own and don't have to consult anyone else.

The aims of this evening are:

- ¥ to inspire you to write or revisit your business plan — believe it or not, it can be liberating and a great motivational tool
- ¥ to keep it simple — business plans can be daunting because most resources are aimed at larger enterprises
- ¥ to give an overview of stuff we'll cover in more detail in future sessions

Why do you want a business plan?

There's no standard answer to this — your business plan is your document, for your use, so it needs to fulfil your purposes. You can also have different versions of your plan for different purposes. There are standard elements that should be covered, but how you present it and how you use it is all up to you.

There are many valuable things your business plan can give you, outside of the factual stuff:

- ¥ motivation — you have a plan, and it's exciting!
- ¥ reassurance — you've worked out all the details, you know that it works theoretically, it's like a security blanket you can hang onto when you're feeling uncertain
- ¥ reminders — you've written everything down, so you won't forget and lose your way
- ¥ innovation — thinking about it in a really structured way can make new ideas present themselves
- ¥ clarity — you have a clear goal, so your decisions become easier because you have a framework to work within

How do you get all that out of one little document?

Think of your business plan as your license to dream. Set aside some time to stare off into space and picture your perfect working day.

In business literature, this is sometimes termed as "what does success look like to you?" Well, success is a loaded term. In Western society and certainly in the business world, it tends to mean financial success, which is a great thing to achieve! but it's not the only thing that defines success, and certainly for a full-time mum fitting her craft around mealtimes, nap times, housework and spending quality time with the family, founding a multi-million dollar craft empire might not be first priority.

So write down everything you want your business to be and how you want it to fit in with the rest of your life. Your business plan should reflect the values and aspirations that define success for you, and if you start with a clear vision of where you want to be, you'll make your decisions with that in mind, even if it's only subconsciously at times.

Another way to think about it is to imagine that you are being interviewed for an article about the success of your business. How did you achieve what you did? What did you do that made you successful? How did it feel to you and your customers? What did you do differently from your competition?

Where do you start?

Again, there's no standard answer to this as it depends on your situation, but because we're all crafters here,

I'm going to make some assumptions. Firstly, we're going to assume that most crafters start out as sole traders, as opposed to registering as a company. If you are registered as a company, you probably already know the ins and outs of this, and if you're not, it probably doesn't apply just yet, so we'll come back to that at a later session.

Assumption number 2: typically I'd imagine most crafters start like this: "I made this, and I want to sell it."

So that gives us a jumping off point - this is a product-oriented business and you're taking your product to market. Which leads to the question...

Who are you selling to?

The first thing you need to establish is who is in that market and what they really want. This is your target demographic, and being intimately acquainted with them (metaphorically speaking of course!) will help you make decisions in nearly every area of your business — branding, pricing, marketing, advertising, growth, product development... You should be able to put yourself in your customer's shoes every step of the way.

One thing that might be helpful (and kind of fun) at this stage is to create a character by imagining your typical customer. Give them a name and write up some notes about what sort of person they are. It's important to include some concrete information — how old they are, their location — do they live in the city or the country? — marital status, do they have kids? are they a kid? — job, income, pastimes — but you also want to feel like this is a person you know, so give them some interests, opinions and feelings as well. If you're a visual person, you could even cut a picture of someone suitable out of a magazine, so you have a face to put to the name.

This gives you a point of reference in your target market. Instead of asking yourself "would this appeal to my target market?", you now ask yourself "well, what would Sally think of this?"

Where are you selling from?

What are your options? Well, craft is a pretty versatile field — you can sell at markets, through retailers, online, from home...so you need to work out which of these apply to you. Which of these will reach your target market? And how does your location affect how effectively you use these outlets? For example, if you have to travel to a market, that may limit your resources to what you can carry — will that affect how much you can sell? If you're based in a rural area, you may want to look at putting your energy into stockists and online selling, so you can reach a wider market.

You should also consider how your location affects what resources are available to you. This is a good example of where to use a SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities and Threats, and it's essentially a list that you build of the pros and cons relating to, in this case, your location, but it's a useful tool to use at any stage in your business planning. It's main purpose is simply to identify in writing the key factors you need to take into account.

So, once you have a fair idea of your vision, your market and your outlets, there's a really important question you need to answer, and that is...

What are you selling?

It might seem like a silly question, because you started your plan with a product to sell, right? And as a crafter, you know your product literally inside out. But how do you want the public to perceive your product, and are you going to stop at one product?

Your customer's perception of your product is influenced by many things, and most of these you have control over. You decide where your product falls in the market and you communicate this to your customer through the quality of your product and presentation, your pricing, your location and your brand. This is called positioning, and it means you have a really good reason to go out and take a sneaky look at your competition and what they're offering, because that's what your customer will be comparing you to.

You may want to consider whether you have the makings of a range of products - for example, you might specialise in handbags, but in your detailed SWOT analysis, you identified a new opportunity to extend that into a range of detachable iPod pouches. Within your business plan, you might want to define the extent of your product range so you can have this in mind when you get to work on your pricing. Which leads us to...

Pricing!

Now, from your feedback and our own experience we know this is an area that lots of people struggle with. Every area that we touch on today warrants a more detailed session, but as so many people have mentioned

pricing as a sticking point, we've scheduled that in as the next session topic. So we'll just run through the basics now and next month we'll get right into it.

The short version is, pricing IS difficult. It generally entails trial and error. You might not get it right first time. There are formulas you can use to price your products, but a lot of it is also intuitive, so if you know your market and your target audience well, you've got much more chance of getting it right.

The important things to consider are first and foremost your costs (material and labour) and overheads. If you're not covering these, you're in trouble! It's important to factor in your time as an expense as well — you need to get paid for your work, and while it's tempting to ignore that bit in order to keep your prices low, if you get to the point that you want to pay someone else to help you keep up with demand, you will suddenly have to hike your prices up to cover that. So first thing: costs and overheads.

Secondly, remember that you'll have to pay tax on this income — perhaps not immediately, but you will eventually, so it needs to be accounted for in your prices. The same goes for GST, if you end up registering. It's unlikely that you need to consider GST when you're starting out — the threshold for compulsory GST registration is something like \$40,000 per annum and if you're making that much from the outset, you should be up here instead of me. So, second consideration: taxation.

The third important thing to think about is whether you are going to sell wholesale. If you plan to sell to retailers, they will at least double your price when they sell it, and you don't want to be seen to be undercutting them by selling at half their price. So when you are deciding on your prices, keep in mind that if you sell wholesale, you will most likely have to halve those prices and it still needs to be worth your while.

The only other thing I'll mention on the subject of pricing today is possibly slightly controversial and that is: you should take into account what the market will bear. How much are people actually prepared to pay for your product? This is not to say that you should lower your prices to be the same as everyone else's, but you should be able to justify your price — to yourself, more than anything. If you feel your product is overpriced, chances are you will inadvertently communicate this to your customer, so you do need to be comfortable with your prices and the value of your product. It's a good idea to put on a thick skin, find a few people who don't know much about your work, and ask them how much they think it's worth. It might hurt, but it could equally be a lovely surprise, and again, it's not about lowering your price, it's about working out ways of adding value to your product.

Bookkeeping

Keep the income and expenses of your business separate to the rest of your life - You'll no doubt fund the expenses of business in the beginning with income from salary or wages but if you keep your business income separate right from the start you'll be surprised how easy it is to "do the books" and you'll probably start funding your business expenses quicker than you think. Start by calling into your bank and asking them for a second account as a suffix to your everyday banking account. Depending on your bank this may incur account fees but some banks don't charge fees on suffix accounts. What you'll get is a bank account that exactly the same as your everyday account except for the last 2/3 numbers — which is pretty handy for remembering it when you need to quickly recite the account for a payments to go into.

If you are in a position to do so, start by putting an lump sum of money into your new account, ideally it would be enough to cover your expenses for say 6 months of business, but for most of us it's more likely to be a few \$100 dollars. Even if you can't do that don't hold back from getting a separate account. If you can't put any money in straight away at least start using it as the avenue for any income you generate. With time you'll be able to use this account to keep track of all your incomings and outgoing expenses but while you are still funding your business through your own income keep a track of all the money that you put into it and further down the track your accountant can help you with a "reimbursment" for that money.

Keeping a record of the money you personally lend to your business will mostly be in the form of receipts and invoices. Remember to keep EVERYTHING! The receipt for the printing of your business cards, the invoice you received and paid for your entry into a craft market and even the smallest little receipts for your supplies. In a future session we'll get into claiming for a portion of your rent/mortgage/power/car etc but for now, just start by keeping every receipt and invoice associated with your business.

So that is a brief overview of everything we've thought about for future sessions of Crafty Business, and it should give you a good start on your business plan. If you manage to get all of these aspects of your plan underway you'll form a fairly solid foundation for your business plan which you can then augment with some numbers and details.