

Preparing a BUSINESS PLAN

This guide provides you with a basic outline on how to write a business plan. Each plan is unique as the business it is describing; so feel free to adjust the format and contents to your own personal style. The contents of a business plan are described below providing questions to prompt you to fully explain your venture. A workbook is included to assist you with composing your own plan.

WHAT IS A BUSINESS PLAN?

A Business Plan is a written document that describes the path of your business venture. It describes **what you want to do** and **how you plan to do it**. It is a roadmap for operating your business, measuring its progress along the way, including plans and strategies for how to overcome obstacles that will present themselves.

WHY DO I NEED A BUSINESS PLAN?

This plan **must convince yourself and others** that the business idea matches your lifestyle, your capabilities AND is commercially viable. This plan must demonstrate that the business will generate enough income to pay the bills and earn a living for you and your family. When you start to collect more information and do more research on your business idea, you may find that the idea does not fit with your lifestyle or is not viable. However, the process of researching and writing down your business plan is a valuable skill that you can use to assess other ventures or ideas.

CONTENTS OF A BUSINESS PLAN

This business plan outline is intended to assist you with organizing your ideas into a plan.

A. TITLE PAGE

This ensures that whomever reads your plan will know how and where to contact you. Include the Name of your business, a contact person with phone number, address, fax and e-mail address and website address (if applicable), plus the date. If developed, include your logo, slogan or picture of product/service in action. (if available).

B. EXECUTIVE SUMMARY

Write this section last - if you have written your plan well - you should be able to cut and paste a sentence or two from each of the major headings to provide the snapshot of your business. This should be one page maximum and clearly outline the market opportunity and your 'competitive advantage'.

C. TABLE OF CONTENTS

This assists the reader in finding information quickly, plus it provides a quick outline of the contents of your plan. Include section titles and page numbers.

D. VISION

- State market opportunity - is there demand without supply or supply without demand?
- State why do you want to undertake this business venture - how it fits into your lifestyle, how it meets the customer/buyers' needs.

E. BUSINESS CONCEPT

Product and/or Service Description

- Describe in detail the number of products, and/or the type of service. Include pictures and/or drawings, if available - any protection or exclusive rights (patents, copyrights, trade marks, franchise rights).

Business History

- If the business has a history, briefly describe it in this section and be sure to include financial data (if any) in the financial section.

F. BUSINESS STRUCTURE

Structure

- Is this a start-up? Or are you purchasing the assets or shares of an existing business? Is this a franchise? If purchasing an existing business mention sales agreement conditions (eg. non-competition clause, reference to payables and receivables, etc.).
- Indicate legal structure of business, will it be a proprietorship, partnership (legally registered or not) or a corporation.
- If your business will be incorporated, describe the ownership (i.e. distribution or breakdown of shares). For a partnership detail the percentages for each partner. Also include reference to contracts or agreements in place between the partners.

G. MANAGEMENT

- Provide information on your background include: work experience, education, skills and abilities.
- If the business is a partnership, each partnership should provide the above information, in addition to the role each will perform in the business.
- Provide the same information for key personnel within the company.
- Resumes should be included in Appendix.

Key Personnel - Staff

- Describe duties and responsibilities of General manager and Key personnel.
- List number of Staff needed (full time, part-time) and their titles and duties (skills level, availability) and training required.
- State wages, incentive packages and/or profit sharing packages.
- If applicable, provide an organizational chart outlining the reporting structure of key partners and/or personnel.

Mentors/Advisors

- List Mentors, Advisors, Board of Directors - others that will and can help you as a resource for your business.
- List professionals (accountants, lawyers, consultants) that will assist with the business operation.

H. OPERATIONS

Location

- Describe 'office' location - If a retail store, describe floor and office space, expansion capability, etc.. If home based, describe how the operation will be accessible to your clients. Provide photos or drawings in Appendix, if available.
- Describe leasehold improvements and/or building requirements, etc..
- What days/hours is your business open or available?

Inventory/Equipment Needs

- Describe start-up and on-going inventory needs and costs, seasonal variation, turnover rates, methods of control.
- Describe furniture, machinery, vehicles and equipment needed. Also describe how you plan to obtain that equipment (new or used, leased or purchase).
- Describe your plan to manufacture or purchase product. Who will be your suppliers (do you qualify for volume discounts, trade credit)?

Registration, Licenses and Permits

- Refer to "*Business Start-up Registration Checklist*" Info Sheet. Summarize the list of agencies you have registered with or indicate if they are needed and/or when they will be acquired.

- Mention any licenses and/or permits required, and any regulations that affect operation. Describe insurance coverage.
- Memberships and Associations - list those that you are or will belong to and the advantages to your business.

Accounting and Systems

- Will you do the books yourself or hire a bookkeeper and/or accountant?
- What accounting and record keeping systems will you use to keep track of your business (payroll, payables, receivables, PST, GST, etc..)?
- Will you collect a database on your customers? Will you have a Point of Sales system that tracks inventory and/or sales?

Development Stages/Phases (if any)

- Does your product/service have a life span?
- Describe any future plans (eg. updating existing or introducing new product/service, facility expansion or move, etc.).

I. MARKETING

Market Description/Background

- Describe industry outlook and growth potential - trends (eg. describe changes in technology, purchasing power, demand, etc.) from a national, provincial and local perspective. State your sources of information.
- State the size of the total market and market share (define by sales, number of units sold, number of producers, total employment, etc.). Do you plan to create new market share (i.e. customers) or steal market share from existing businesses?

Target Market

- Customer Definition - WHO is your customer (demographics, age, sex, occupation, buying patterns, income, wants and needs, etc.). How important are price, quality and service support to your customer?
- Indicate the type of research you conducted to define your customer (statistics, market survey, etc.).
- Do you have any confirmed customers, contracts?

Competition

- Who is your competition? Include those businesses who compete for the dollar you want to capture.
- How easy is it for the customer to switch from your product/service to another?
- What will be your competitor's reaction to your entry into the market?
- What are the barriers to entry (i.e. how easy is it for another business to do the same thing you are doing)?

Pricing

- Explain how you priced your product. Be sure to consider cost +x%, mark-ups, labour charge, margins, break-even point, etc..
- How does your price compare to competitors?
- Will your pricing structure change over time (eg. discounts, rebates, sales)?
- How will the majority of sales be paid for (cash, debit or credit card, credit terms)?

Market Differentiation/Competitive Advantage

- Describe your Competitive Advantage (Is it price, quality or service?)
- What makes you unique and/or better than any of your existing and future competitors? (eg. specialized knowledge, first to market, atmosphere, convenience, reputation, cheaper material, etc.). Think of your business as providing more than just a product or service - think of providing an experience.
- Why do they want to spend their money with you?

Market Strategies

- Phase I - Awareness
How will customers find out about your product/service? Consider advertising, free publicity, coupons, partnerships with businesses that have a complementary service to yours and share the same customer, etc.
- Phase II - The Sale
How will the customer access your product/service (direct to public, wholesale, retail, multiple outlets)? Are there any add-on sales that you could provide?

- Phase III - Keeping the Customer
How do you plan to ensure repeat business i.e. encourage word-of-mouth? What type of follow-up will you do with your customer (eg. database, e-mail contact)? Does your product or service include satisfaction guarantees or warranties?
- Action Plan - Refine your strategies into a "To Do" List. Use '*Marketing Action Plan*' to outline tasks for the upcoming year.

J. FINANCES

Start-Up or Expansion Costs

- List all of the items that are required to start up or expand the business. Include the costs with those items. Use the '*List of Personal Assets*' Sheet found in the '*Preparing for Financing*' Handout.
- List what items that you are contributing and what you will need to purchase and whether those items will require financing.

Financial Plan

- State quantitatively the first year, third year and long term goals. Goals could include annual gross sales, Cost of Goods percentages, profit margins, share of market you intend to capture, new product/service introduction, # of customers or \$ per day/month/year, breakeven costs, etc.
- Identify checkpoints for measuring results (significant dates, sales levels, production levels, decision points).
- If you have been in business or are buying a business include the past 3 years financial statements (including balance sheet and income statement).
Balance Sheet compares what your business owns and what it owes.
Income Statement compares your revenues to your expenses to see if you have made or loss money.
Cash Flow Statement shows when the money comes in and when the money is spent.
- Forecast your Cash Flow for the next 1-3 years. Refer to "*Completing a Cash Flow*" Handout. Be sure to include your revenue and expense assumptions.

Financing Needs

- Use the '*Source and Use of Funds*' Sheet found in the '*Preparing for Financing*' Handout. Be sure to detail what you are contributing to the business, both in cash and in kind (i.e. equipment, etc.) Detail where the money is coming from to start your venture.
- If you are looking to purchase a business, ask the vendor about the financing some of the purchase price.
- Do you have an operating/revolving Line of Credit (LOC)? If not, how you will manage short term costs?
- Detail any equity investors. Equity investors include any individual(s) or company that provide funds who will not receive principal payments within the next year.
- How much are you are looking to debt finance? Debt financing is borrowing money, with a set repayment schedule that includes interest and principal payments.

K. RISK ASSESSMENT

Play the devil's advocate and think of all the reasons where your venture may run into problems and how you anticipate overcoming those risks. This demonstrates that you have thoroughly thought through your venture, and provides you with alternate strategies when obstacles present themselves.

- External Factors - Identify and address factors like, economy, new technology, new competition, existing competitor's reaction, supplier problems, shifts in consumer demand, weather, etc.
- Internal Factors - Identify and address factors like sales projections are too low or too high, key manager quits, personal time commitments, health problems, etc.

L. SUPPORT MATERIALS

Include Appendices if you have referred to them in the text. For example you may want to include your resume, or photos of your product, service or location. Perhaps you need to include information on your customers. This section can be used to justify with documents any claims you have made within your plan.

BUSINESS PLAN

BUSINESS NAME: _____

Contact Person: _____

Address: _____

Town: _____ **Postal Code:** _____

Phone (Home): _____ **Phone (Work):** _____

A. BUSINESS CONCEPT/VISION/HISTORY

Product/Service Description: _____

B. BUSINESS STRUCTURE

C. MANAGEMENT

Key Staff/Personnel: _____

Mentor/Advisors: _____

D. OPERATIONS

Location: _____

Inventory: _____

Equipment Needs: _____

Registration/License/Permits: _____

Accounting and Systems: _____

Development Phases: _____

E. MARKETING

Market Description/Background: _____

Target Market: _____

Competition (Direct and Indirect): _____

Pricing: _____

Competitive Advantage: _____

MARKETING STRATEGIES

STEP ONE: Awareness _____

STEP TWO: The Sale _____

STEP THREE: Keeping the Customer _____

F. FINANCES

Start-Up or Expansion Costs: _____

Financial Goals: _____

Financing Needs: _____

G. RISK ASSESSMENT

ADDITIONAL INFORMATION _____

