

The Business Plan

Putting It All Together

Business Plan Guide

A Business Plan is a comprehensive document that outlines all aspects of a proposed business. How much detail and depth you must develop in your business plan will depend on the size and scope of the proposed venture. However, it must always summarize the business' potential, outline the marketing plan, forecast its financial future and state the funding required.

A business plan is an invaluable tool for managing a successful business. The plan serves three functions:

- 1. Determines the viability of your business idea
- 2. Organizes your planning
- 3. Helps to obtain financing

The following package outlines the major components of a business plan. Although some questions may not apply to your business, complete as many as possible.

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Title Page

A professional Title Page should include the business name, address, phone number , the name of the person who prepared the plan and the date.

Table of Contents

Numbering the page sections allows readers to locate the information quickly and easily.

Executive Summary

A one-page summary that highlights the essential details of your business plan, includes a brief description of the ownership and management, products and services you offer, financial objectives including projected annual sales and net income, marketing strategy and competitive advantage, major initiatives, accomplishments, goals and the amount of money you expect to borrow and why. If it's a new business, state why you are starting the business and how much you are investing into the business.

TIP – The Executive Summary is an introduction your business. Even though it appears at the beginning of your business plan, it is usually prepared after you have completed the business plan.

Business Description

Describe your business in detail.

- What products(s) or service(s) will be provided?
- Type of business (i.e. manufacturing, retail, service, etc)
- Status of business (i.e. start-up, expansion, take-over, etc)
- Ownership (sole proprietorship, partnership, corporation, franchise) and background of principals
- If existing business
 - brief history
 - a date of registration/incorporation
 - sales/profits to date
- If new business
 - expected start date
- What is/will be the geographic trade area
- What are/will be the hours of operation
- Describe any seasonal trends

Objectives

What objectives do you wish to achieve within the next two years in terms of sales and profitability levels and number of employees? (Short term)

What do you want to be doing 5 – 10 years from now in terms of growth of business operations through acquisitions, plant expansions, increase in products/services offered etc. (Long term)

TIP – You may have developed some non-financial goals as well (i.e. to be known as the company with best customer service; to manufacture the highest quality product in Ontario; to be recognized as an environmentally-conscious company). List any of these goals as well.

Market Description

The Environment

The environment of your business is something you cannot control. Any or all of the following environmental factors may have an impact on your business. Explain whether or not these factors will create threats:

- a) Demographic – aging population, increasing number of two-income families, more working women, increasing/decreasing population etc.
- b) Economic – trends in the inflation rate, average income levels, unemployment levels, general economy of the country, region or community etc.
- c) Social – increasing concern for the environment, people more value-conscious etc.
- d) Technological – any new technological advances which may affect your business either positively or negatively.
- e) Political – any new or pending government regulations which may affect your business.

The Competition

- a) How many competitors sell similar products or services in your trade area? Is this number increasing or decreasing?
- b) Describe your competitors in either a chart format or a written paragraph about each one. Include the following information (if available):
 - Name of competitor
 - Address
 - Age of business
 - Ownership (sole proprietorship, partnership, corporation, franchise)
 - Estimated sales volume
 - Number of employees
 - Major strengths and weaknesses
 - Pricing or products or services

The Market

- a) How many potential customers are there in your trade area?
- b) Give a profile of your “target market” i.e. the characteristics of the customers who are the most likely to purchase your product or service?

Industrial Market – i.e. type of business, size, product application, frequency and size of typical order, decision-maker etc.

Consumer Market – i.e. age, income, family size, education, lifestyle, frequency of purchase, decision-maker etc.

- c) Why do they buy the product or service, i.e. what need is being filled by the product or service?
- d) What are the major criteria which your potential customers use when deciding which business to purchase the product or service from? i.e. price, quality, delivery time, level of customer service, credit terms, reputations, product features etc.

Marketing Strategy

Product

Define the characteristics of your product or services that meets the needs of your customers.

Pricing

- a) What prices do/will you charge for your products or services/
- b) How are these prices calculated?
- c) What is the average cost of your product?
 - Material
 - Labour
- d) Do/will you offer credit terms to your customers? If so, what are those terms?
- e) Do/will you offer discounts or allowances to your customers? If so, describe.

Place

- a) Location – describe your business location. Explain the advantages of your location. If you have not selected a location yet, explain the criteria you will use when selecting the site. i.e. cost, access to customers, location of competition, appearance, zoning security, access to transportation lines, parking facilities, traffic flow, access to employees, community services, compatibility of neighbouring businesses etc.
- b) Distribution (Manufacturing only) – how do/will you distribute your product to the end user? i.e. wholesalers, distributors, retailers etc. List and describe any of the middlemen who have already agreed to distribute your product. Include a copy of any contracts you have signed with your distributors as an appendix to your business plan.

Promotion

Promotion is the actual marketing of the product or service; it's the image portrayed. Advertising the product or making the customer aware of the product or service is involved in promotion. Advertising can be done through public relations, media, personal selling and various persuasive communications strategies. Creating catchy names, logos, jingles for a product or title/acronym (such as TLC) for the service or program is part of promotion. Decisions need to be made about the message, when and where it will be delivered, and any inducements utilized.

Develop a marketing strategy and budget. Explain each item and how it will reach your target market.

Operations

Personnel

List the job titles including any owners/manager of all people employed by your firm. Indicate whether they are full time or part time positions, and the wage or salary these employees will be paid. Highlight the skills and qualifications of the management and operational team. Do you plan on hiring any additional employees with the next year? If so, describe as above.

Business/Technical Advisors

List the names, addresses and functions of any individuals or organizations who/will be working with you to ensure your business is a success i.e. lawyer, accountant, business consultant, government representatives, community/industry organizations etc.

Suppliers

List your major suppliers, the products or materials they supply to you, credit terms etc. Do you have a list of back-up suppliers in case of emergency?

Regulations

What government regulations, licences, permits and insurance requirements pertain to your business? Have they been obtained?

Financial Plan

Provide an overview of the financial management systems, assets and liabilities. Itemize your current indebtedness and the assets pledged. If you intend to borrow, how much do you need and what will the money be used for? What assets can be pledged to secure the debt including your personal contributions? How will you repay the debt and how long will it take to do so?

If any of the lenders or investors have already agreed to help finance the business, include confirmation letters in your business plan and describe their terms.

Projected Cash Flow

The cash flow projects the money flowing in to and out of the business. Cash flow allows you to estimate your sales receipts and expenditures over one or more years. Predicting sales will be based on research, customer demand and level of competition and production capacity. Predicting cash flowing in will be based on your collection policy i.e. do all customers pay COD or do some pay in 30 to 60 days. Other consideration might be payment terms with your suppliers and seasonal fluctuations in revenue.

Personal Financial Statements

Personal net worth statements prepared individually by you and your partners or guarantors show the personal and/or joint assets and liabilities and also states annual income and annual expenditures.

Resumes

The applicant(s) should attach a resume. A lender or investor will have more confidence in the business knowing you have the experience and skills to operate and manage the business.

Appendices

These are documents that support the claims you made in your business plan. These may include market research, surveys, letters from potential customers and suppliers, appraisals, asset valuation, product literature, catalogues, examples of advertising, picture of the location, floor plan, equipment quotes, major contracts etc.

Financial Statements

If you have been in business for some time, you should provide yearend financial statements for at least three years, preferably prepared by a licensed accountant. Include up to date current financial statements. If you are a sole proprietor, you should provide your prior years' Income Tax filing statement.

Income Statement or the Profit and Loss Statement provides the reader with a statement of the sales and expenses. The difference between revenue and expenses is the Net Income or Loss.

Balance Sheet is a snap shot of what the company both owns (assets) and owes (liabilities) at a given point in time. The difference between the assets and liabilities represents the owner's equity.

List of Aged Account Receivables is a listing of customers' base and their payment activities in terms of current, 30 days, 60 days, 120 days and more. This provides the reader with a picture of the company's collections activities, customers' buying habits and vulnerabilities.

List of Aged Accounts Payables is a listing of your company's debts to vendors in terms of current, 30, 60, 90 days and more. Government taxes, PST HST, WSIB, source Deductions and Income Tax should also be listed. This will provide the reader with a picture of the company's spending habits and supplier base.