

Small Business Centre

Prince Edward County

Hastings County

Lennox & Addington County

Quinte

BUSINESS PLAN GUIDELINES START MY OWN BUSINESS



1. Cover Page and Table of Contents

The cover page of your business plan should include contact information such as your name, the name of your business, the company logo, address, telephone number, fax number, email address and the date.

Table of Contents should allow easy navigation through your plan. Major headings and important subsections should be listed with page numbers (all pages in the plan should be numbered.)

2. Executive Summary

An executive summary is a concise summary that provides an overview of all key aspects of the business plan, including a brief financial outline. It should capture the interest and support of the reader, as many readers will read this section to determine whether they should read the remainder of the plan.

The executive summary should not introduce information that is not contained in the other sections of the plan. It should be no longer than 2 pages in length. It is recommended that this section be completed last.

3. Business Description / Company Profile

This section is a description in detail of the product or service you are offering, your place of business as well as a snapshot of who is involved. This should include a description of the company's background, history, and current position in the marketplace. Any permits, licenses, regulations and insurance that your company requires should also be outlined here, along with their associated cost. The background, qualifications, and responsibilities of members of your management team and other key personnel as well as your business advisors (Lawyers, Accountants, etc.) should also be identified.

4. Marketing Plan

The marketing plan section details what must be done in order for customers and/or businesses to buy the product or service your business is offering. The marketing plan is comprised of five subsections: Industry Trends, Product / Service, Target Market, Competitive Analysis, Marketing Mix, and Sales Estimates / Projections.

Industry Trends

A comprehensive description of the market conditions and behaviour is an essential part of a solid marketing plan. Identifying trends can provide you with strategic information that can not only help you to be and remain competitive, but it can also assist you in assessing your longevity in the market. Since most products follow a life cycle curve, knowing where your product fits into this curve will assist you in your promotional strategies.

Included in this section, the reader should find the overall business/consumer trends and business opportunities as a result of social, economic, demographic, environmental, technological, and/or political change. There should also be an investigation of the past, present and future industry trends, a list of the key success factors in your industry, the size of the industry and barriers to entry into the industry.

There are many sources available to you for your research including Statistics Canada (www.statcan.ca), Trade Magazines, Canadian Almanac and Directory, Business Magazines (print and internet versions), Economic Indicators (inflation, unemployment levels, etc.), and Industry Canada (<http://strategics.ic.gc.ca>). Remember to always cite the source of your information as it will lend credibility to your business plan.

Product / Service

This section provides the opportunity to clearly explain the features and benefits of the product or service that you are selling to your reader, being sure to detail what makes your product/service unique. The features and benefits of your product or service should fill some of the needs or gaps in the industry identified in your industry analysis. By clearly differentiating yourself from your competition, you may be able to secure a competitive advantage.

Included in this section, your reader should find answers to such questions as:

- What are your product's or service's unique features?
- What are the other features?
- What are the benefits of these features?
- How is your product / service positioned against the competition?
- What are you doing differently?
- What has been the history of this product in the marketplace?
- Provide photos or diagrams if available.

Conduct your research by completing a Competition Analysis, Primary Market Research, and by looking into Suppliers (Ontario Business Directory, Scott's Directory).

Target Market

The goal of this section is to identify the characteristics of the homogenous group of people who will potentially become your customers. This group will have both the need and willingness to pay for the product or service that you are offering. Your target market may be comprised of consumers or other businesses and you may have more than one target market (i.e. primary and secondary target markets.)

Included in this section, your reader should find:

- **Consumer Demographics** – Age range, income range, marital status, number of kids, occupation, lifestyle, location boundaries, average and frequency of purchase.
- **Consumer Psychographics** – lifestyle, What do they read? What need does your product fill? What/who influences their purchasing decision?
- **Business Demographics** – Number of businesses, location of businesses, frequency of purchase, size of business, who makes the purchasing decision?
- **Business Psychographics** – What influences the purchasing decision? What need does your product fill?

Research for this section can be conducted using Statistics Canada (www.statcan.ca), Industry Canada (<http://strategis.ic.gc.ca>), internet, Surveys, Focus Groups, Interviews, and Competitor Analyses. Remember to cite the source of the information.

Competitive Analysis

The competitive analysis section of your business plan is a thorough analysis of both direct and indirect competitors. Comparisons between your competitors and your company may also be drawn in this section. This section is important as it provides information such as how your competitors price, market, and sell their products which will allow you to differentiate your business from theirs. The analysis will identify the strengths and weaknesses of the competitors.

It is important to also consider indirect competitors. Indirect competitors do not provide the same product or service as your business, but they are competing for the same consumer dollars.

Upon completing this section, you should have a good understanding of the competitive environment in which you will be operating as well as insight into why your strongest competitors are successful.

In this section, your reader should find a short discussion of each of your competitors. This overview should include such information as their hours of operation, the number of years that have been in business, a description of their product/service, a differentiation of their product or service from yours, a customer profile, their pricing, marketing/advertising, and a list of their strengths/weaknesses (why do customers buy from them?). You should also include a list of opportunities/threats that they present to your business.

Research for this section may include visiting or calling your competition, observing their set-up, customers, staff, and professionalism. Ask their customers and suppliers, and review their promotional materials (yellow pages, web sites, brochures, flyers, etc.)

Marketing Mix

The marketing mix describes the strategies that will be employed to get customers to buy your product. There are four subsections: Product, Price, Place and Promotion.

Product – Include a description of what jobs or problems your product/service eliminates for the consumer. Include pictures and/or samples if possible. Mention the present stage of the product (i.e. is the product market ready?) as well as any Patents, Trade Secrets, Copyrights, Trademarks, etc. that are pending or owned.

Price – The pricing of your product/service is the fee that will be charged to your customer.

In this section, you will discuss your pricing strategy and how you derived that price. Keep in mind that your prices should be a function of your costs, competition and customers. Your pricing strategy should be consistent with the overall positioning of the product/service. Be sure to mention how similar products are priced and justify any variations between your price and the market's.

Other considerations to mention include whether you will be discounting your price on a regular basis and if you will offer volume discounts.

You may also wish to include a "Break Even Analysis". This ratio identifies the level of sales, in units or dollars, required in order for your revenue to equal the total costs.

Place – This is a comprehensive description of how and where you plan to sell your product. You should attempt to match your location and distribution strategy to your target market's preferences as determined through your market research.

It is important that you verify with your local levels of government to ensure that all applicable business by-laws are adhered to.

In this section, your reader should find answers to the following questions:

- Where is it?
- What are all the costs associated with your location?
- What is the marketing importance of the location?
- Is there potential for future growth at the location?
- What are the traffic flows of the potential location selected?
- Residential vs. Commercial location
- How will your method of distribution affect: sales, service, promos, timing, and economics?

To conduct your research, ask your target market, as your customers will advise you what their preferences are, speak to municipal offices regarding bylaws and regulation, obtain traffic counts available from regional and municipal governments (transportation and environmental department).

Promotion – Your promotional strategy should detail the methods you will use to communicate with your target market. This strategy is important since a new business must create awareness to generate business.

Your promotions may include billboards, business cards, bus boards, community newspapers, contests, coupons, direct mail, flyers, giveaways, Internet banner ads, magazines, personal selling, radio, signs, sponsoring and event or team, television, trade shows, yellow pages, websites, etc.

In this section, your reader should find the methods and costs associated with your strategy, the readership, target market profile, distribution coverage, and the distribution frequency of the chosen promotional mediums. There should be a brief discussion of the anticipated return from the proposed strategy (i.e. the amount of business that it will bring in).

Research can be conducted by using Small Business Industry Profiles (<http://sme.ic.gc.ca>), by contacting advertising agencies, radio stations, newspapers, direct mail services (Canada Post), and by reviewing promotional materials of your competitors and other successful promotions.

Sales Estimates/Projections – Your sales forecast should be based on your assessment of your customers, the size of your market, and your competition. The sales should be recorded in units as well as dollars. These numbers should also appear in the financial statements of your business plan. Briefly justify your projections, making sure to note why and how your customer base will grow. You should attempt to provide weekly, monthly and annual estimates.

5. Operational Plan

The operational plan should describe how the product/service will be produced and sold as well as the key personnel involved in the business. There are four subsections: Suppliers, Manufacturing Plans, Operating Requirements, and Human Resources.

Suppliers – Includes a listing of companies that will provide the necessary materials, products and services to operate your business. When choosing suppliers, it is important to remember that price may not be the best reason for your choice. You should also consider either reliability, delivery times, product availability, support services available, and their terms and conditions. You may also wish to include a back-up supplier.

Included in this section, your reader should find the name of the supplier, the terms and conditions, product line and pricing.

Manufacturing Plans – This is an outline of the method by which your product/service will be produced and sold. It is a statement of where your product is in the development cycle and what resources are required to complete the development. It also outlines the critical points in your production.

In this section, you may wish to include a description of the facilities, any warehousing requirements, sub-contracting arrangements, production methodology, equipment and plant requirements, and time requirements.

Operating Requirements –

Should include:

- Location of the business, including advantages and disadvantages, traffic patterns, visibility, etc.
- Hours of operation, personnel, suppliers and suppliers agreements.
- Overhead, including labour and material costs should be determined
- Tax considerations (GST, PST, WSIB, EI, CPP, Employer Health Tax, etc.)
- Regulations (Business name registration, Zoning, Signage, Export/Import Permit, etc.)

Human Resources – This section is a description of the people who will provide the expertise required to run your business.

Included in this section, your reader should find an organizational structure/staffing plan listing the full time, part-time, and seasonal employees along with their job descriptions, salary rates, benefits, and source deductions costs. Legal considerations should also be mentioned (including contracts if applicable). Hiring strategies and training initiatives should also be described.

If you will be hiring employees or contractors, you need to factor this into your pricing and cash flow projections.

Research for this section can be conducted by contacting Canada Customs and Revenue Agency (Employees Source Deductions), Workplace Safety and Insurance Board (WSIB; compensation for employees), a lawyer (legal contracts), Statistics Canada/Associations Canada (salary rates).

6. Financial Plan

To create a financial plan, the type and amount of expenses your business will incur must be identified. There are two types of expenses: one-time expenses and operating expenses. One-time expenses are costs that you incur only once when starting your business (i.e. Licenses & Permits, vehicles, starting inventory, purchase of property/equipment/supplies, etc.), while operating costs are those that you are required to pay on an ongoing basis (i.e. rent, telecom., utilities, insurance, etc.)

The best place to begin writing your financial plan is to compile a list of all start-up costs associated with your business. Most of these costs will be one-time expenses. By compiling this list, you will be able to determine how much capital your business will require.

Expense figures, once calculated, should be incorporated into the cash flow statement. Knowing your expenses will reveal how much start-up financing you will require to establish your business to a point of self-sufficiency.

Include a small section that indicates that you have evaluated the potential risks associated with your business. No business is without risks. Failing to mention these will undermine the credibility of your plan (and potentially endanger your chances of financial support).

Problems to consider include:

- competitors cut their prices
- industry growth rate drops
- sales projections not achieved
- public opinion of your product/service changes

When establishing financial projections, be realistic. Try to avoid overly optimistic projections. Your plan should also include an explanation of all projections.

This section should identify any shortfalls and financing requirements, sources of financing, collateral, and repayment proposal.

It is important to create a set of financial statements to act as a benchmark to gauge your progress against original projections. The statements to act as a benchmark are Cash Flow Statement, Income Statement, and Balance Sheet. All attempts should be made to provide statements for up to three years of operation. Your financial plan should also contain a list of your start-up costs.

Start-up Costs

A list of all costs associated with opening your business. This may include the purchase of licenses and permits, vehicles, starting inventory, office supplies, purchase/down payment on property and equipment, utilities, salaries/wages, rent, telecommunications (phone, fax, etc.)

Cash Flow Statements (Appendix I)

A cash flow statement shows the actual amount of money that is collected from sales and the actual money that is paid out for expenses on a monthly basis.

This statement helps determine whether or not the business is viable by monitoring the business' cash position thus demonstrating how much money a business has at any given time when it is likely to need more cash. Knowing your monthly sales and expenses helps you make good decisions such as when to hire staff and if you need to obtain a line of credit.

Income Statement (Appendix II)

An income statement shows the profit/loss of a business over a period of time by detailing all revenue, expenses, and other costs.

This statement demonstrates how much money a business made/will make or lost/will lose during the year. A banker/investor will look at this statement to review margins, profit trends, and ability to pay back debt.

The income statement is frequently referred to as a "Profit and Loss Statement".

Balance Sheet (Appendix III)

The balance sheet shows what the business owns (assets) versus what they owe (liabilities) to help determine the net worth of the business. It will assist you in determining your liquidity, meaning how readily your assets can be converted into cash. An investor will look to this statement to determine your debt/equity ratio, which compares the amount invested in the business by creditors with that invested by the owner.

The balance sheet should list all of the following:

Current assets – anything the business owns that can be converted to cash within one year (i.e. accounts receivable, inventory on hand, cash balance)

Fixed assets – items that have a useful life to the company for more than one year (i.e. property, equipment, furniture & fixtures, vehicles, etc.)

Current liabilities – accounts payable & debts that must be paid within one year

Long-term liabilities – items that are not payable within a year (i.e. long term loans)

7. Appendix

Use the appendix for the following additional information, making sure to reference them in the body of the plan. This section should not be longer than 20 to 30 pages.

- Resumes of management and personnel
- Flyers, brochures, business cards, etc.
- Accurate estimates pertaining to start-up costs
- Letters of support for your business idea
- Contracts and agreements
- Articles and information regarding relevant trends
- Sales brochures/advertisements about your product, if available.

Final Notes:

- √ Ensure your plan is professional, not only in appearance, but also in the language used throughout.
- √ Maintain confidence level throughout the plan – you are not only selling your business idea, but you are selling yourself as well.
- √ Be thorough and support all assumptions with statistics.
- √ Ensure to reference all ideas and working that is not in your own (this includes statistics).
- √ Be creative! Add flyers, logos, slogans, etc. to make your plan stand out. (These items should be placed in the appendix section of your plan.)
- √ Ensure that your financial statements reflect what is stated in your plan.
- √ Use a word processor to produce your plan. Floor plans that can not be produced by computer should be completed in black marker using a ruler (and labeled!)
- √ Your business plan should be no longer than 30 to 50 pages.
- √ Have a 3rd party review your plan for grammar, spelling and logic errors prior to distribution to potential investors.