

BUSINESS PLAN

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.

BUSINESS PLAN OUTLINE

1. **COVER PAGE**
 - < company name, address, phone number
 - < contact's name, address, phone number
2. **EXECUTIVE SUMMARY**
 - < summary of main facts and plans
 - < funding requirements and sources
3. **TABLE OF CONTENTS**
4. **BUSINESS DESCRIPTION**
 - < type and status of business
 - < ownership
 - < history
5. **OBJECTIVES**
 - < short-term
 - < long-term
6. **MARKET DESCRIPTION**
 - < environment
 - < competition
 - < market (customers)
7. **MARKETING STRATEGY**
 - < product mix
 - < price
 - < place
 - < promotion
8. **OPERATIONS**
 - < personnel
 - < business/technical advisors
 - < suppliers
 - < government regulations

9. **FINANCIAL PLAN**

- < financing requirements
- < sources of financing
- < list of collateral of loan(s)
- < financial statement projections*
 - income statement
 - cash flow statement
 - balance sheet
- < break-even analysis
- < sensitivity analysis (i.e. worst-case, best-case)

* Projections should be done monthly for at least one year.
Include year-end projections for Years 2 and 3.

10. **APPENDICES**

- < owner/management resume(s)
- < owner's personal net worth statement(s)
- < letters from vendor
- < letters from customer
- < copies of major contracts
- < copy of lease agreements
- < drawings/photos/brochures of products and/or services
- < drawings/maps of business location, layout, competitors' locations, etc.
- < promotional campaign

BUSINESS DESCRIPTION

Describe your business in detail; what product(s) or service(s) will be provided?

- < type of business (i.e. manufacturing, retail, service)
- < status of business (i.e. start-up, expansion, take-over)
- < ownership (i.e. sole proprietorship, partnership, corporation, franchise)
- < if existing business
 - brief history
 - date of registration, incorporation
 - sales, profits to date
- < if new business
 - when will business open
- < what is/will be geographical trade area
- < what are/will be 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?

e.g. To achieve \$100,000 in sales the first year of operation.

What is your long-term objective (i.e. what do you want to be doing 5 - 10 years from now?)

e.g. Build another plant, franchise the business, purchase another business, etc.

Note: You may have developed some non-financial goals as well (e.g. to be known as the company with the 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.

Use the following format as an example:

Year One

- 1.
- 2.
- 3.

Year Two

- 1.
- 2.
- 3.

Long Term Goal:

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 or opportunities for your venture, and why.

- a) **Demographic**
e.g. aging population, increasing number of two-income families, more working women, increasing/decreasing population, etc.
- b) **Economic**
e.g. trends in the inflation rate, average income levels, unemployment levels, general economy of the country or region, etc.
- c) **Social**
e.g. increasing concern for the environment, people more value-conscious, etc.
- d) **Technological**
e.g. any new technological advances which may affect your business either positively or negatively.
- e) **Political**
e.g. 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, corporation, franchise)
 - estimated sales volume
 - estimated market share
 - number of employees
 - major strengths, weaknesses

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: e.g. type of business, size, product application, frequency and size of typical order, decision-maker, etc.

Consumer Market: e.g. 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?
e.g. price, quality, delivery time, level of customer service, credit terms, reputations, product features, etc.
- e) Why will/do potential customers purchase from you rather than your competitors?

MARKETING STRATEGY

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 these 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.

e.g. 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** (Manufacturers only)

How do/will you distribute your product to the end user? E.g. 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.

OPERATIONS

Personnel

List the job titles (include any owner/managers) 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.

Do you plan on hiring any additional employees within the next year? If so, describe as above.

Business / Technical Advisors

List the names, addresses and functions of any individuals or organizations who are/will be working with you to ensure your business is a success.

e.g. 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, licenses, permits and insurance requirements pertain to your business? Have they been obtained?

FINANCIAL PLAN

Financing Requirements

List all items for which you require financing. Be specific. Provide an estimated cost for each item.

Sources of financing

List your proposed sources of financing and the amount that each source is going to contribute to your business venture.

e.g. personal investment, bank term loan, operating loan, venture capital company, loans/grants, other investors, etc.

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.

Collateral for Loans

List the items you are willing to use as collateral for any loans as well as their estimated value.

Business Collateral: e.g. equipment, vehicles, inventory, accounts receivable, etc.

Personal Collateral: e.g. personal guarantee, home, stocks/bonds, automobile, other investments, etc.

Other: e.g. co-signer