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BUSINESS PLAN GUIDELINES

What is a Business Plan?

A business plan helps you to determine if your business is likely to be viable, and focuses your efforts to improve your chances of success. As you prepare your plan you will get answers to key questions such as:

- Is my business viable?
- What are the strengths and weaknesses of my business?
- Who are my customers and how do I plan to get them to buy from me?
- Who are my competitors?
- What skills will I need to properly run this business?

Business plans are for YOU! They are very effective in making your business more successful and reduce the chances of failure. Developing a business plan will help you think out how you intend to reach your goals. Your business will have more focus and direction simply by having a plan. Business planning will help you assess your business idea and work out problems before they occur. That is why banks, investors, funders, and lenders like Community Futures require them.

How do I use this Business Plan Package?

Do not be dismayed by the size of this package. It may seem large, but it is designed to guide you through the creation of your business plan by turning it into a series of bite sized pieces.

Each section has several parts. Each part contains a list of questions and examples. Your business plan is made up of the answers to those questions.

You may be wondering where to get the answers to the questions. The answer is Market Research. The answers to the questions are not just guesses; they must be supported by facts. Remember that information gathered for the Vision section of the plan will be turned into numbers in the Financial section of the plan. The Projected Cash Flow is your vision turned into numbers.

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A Table of Contents tells the reader what to expect in your plan and what page it is on.

Don't forget to add page numbers to your business plan.

Section 1 – EXECUTIVE SUMMARY

Although this is the first page of the Business Plan, it is the **LAST PAGE TO BE COMPLETED**. It should not exceed two pages. This is where the Who, What, When, Where, and Why is discussed. Use this space to convince the reader to study the plan further.

It should include:

- A paragraph that describes your business or business idea, product or service offered
- The highlights of the business plan
- Summary of Financial Projections
- How the business is to be financed, and any money being sought, in what form and for what purpose
- Brief description of the Management Team

Section 2 – YOUR VISION

This section is a description of your business. You want to provide your reader with the background information on your company and to describe the nature and condition of your industry. It covers areas such as the products you are selling your customers, how you will make your customers want to buy from you, who your competition is, etc. This is where you explain your plans for today and areas of expansion for tomorrow.

Business Background – Explain where the idea for this business came from, and why you have decided to pursue it. If this is an existing business, write a short history of your business. Include such things as highlights of your progress to date, talk about the principals of the business, the date of incorporation and whether this business will be a sole proprietorship, partnership or limited company.

Business Structure

In this section, you describe your business. Complete this section whether you are planning to start a new business, expand your current business, or purchase an existing business.

Name of the business –

Address (if you have not committed to a specific location yet, put down the expected site)

Is this a:

- Proprietorship – a business owned, managed and controlled by one person
- Partnership – a business where two or more people share ownership
- Limited Company – a company that is legally separate from its owner

What is the status of the business? Are you starting a brand new business? Purchasing and taking over an existing business? Expanding your business? Refinancing your existing debts?

Type of Business

Is this a manufacturing business, a retail store or a service business? A business may cover several of these areas, such as a manufacturer who sells direct to consumers. If this is the case for you, check all that apply. However, only check major areas, not those that make up only a small part of your overall business.

- Manufacturing
- Retail
- Service

The Industry

Are there any economic, social, technical or regulatory trends in the industry? Is your market growing, shrinking or stable? Do you expect major changes in the demand for your types of products in the near future (within the next 5 years)? What is your view of the current status and prospects for the industry? What is the industry doing in other countries? Focus on the overall demand for your types of products, not the demand for your business. Note that a shrinking market is not necessarily a bad thing, but it does affect how you sell your product or service. It will also affect your long-term strategies relating to your business.

Section 3 – YOUR PRODUCTS OR SERVICES

This section's objective is to completely yet concisely describe your product or service, along with any proprietary features and your future development plans. Your business may focus on one type of product/service or it may offer several different kinds. It is crucial that you have a clear understanding of the different kinds of products you offer (or plan to offer) because this will help you identify who your customers are.

Concentrate on the four major types of products rather than listing every single item. Consider these examples:

- A retail jewelry store might have four areas (fine gold jewelry, fashion jewelry, giftware and china/crystal/silverware, or it may focus on one or two of those areas)
- A carpenter offering a full range of services may have two areas, major jobs (house construction, sun decks, trusses) and the basic home renovation/maintenance
- A restaurant may also offer catering services to hotels and cater private functions (home & office parties, special events, etc.) - three areas in total

One reason for listing each of these separately is that each group may have different types of customers with different needs. You may want to promote each are of your business in a different way from the others, since the advertising that reaches one market might not reach others. Listing them separately aids in determining how much inventory will be purchased in the cash flow projection. Different products or services may also have different sales cycles (i.e. you may sell more of one product during the summer, and more of another product during the winter). By grouping them separately it makes it easier to project expected sales.

Be sure to provide a brief description of your products and services that will help the reader of your plan better understand your business. Describe what they will or will not do. List all features and benefits for your products, and make special note of any features that differentiate your products or services from those of the competition. Include any exhibits such as drawings, or photographs of the product to be manufactured, or a description of the services to be offered.

Products/Services Offered

Product/Service #1 -

Product/Service #2 -

Product/Service #3 -

Product/Service #4 -

Section 4 – MARKET

This section is for you to show your reader that you understand your market and can achieve your sales target. What is your market area? Are you appealing to people just in your community? The Province? Globally? How many people live in your market area and what percentage WOULD use your service or product? This is where your market research comes in. Use secondary sources like Statistics Canada, The City, Town or M.D. Office, etc. that have already gathered the information. Be sure to give the source credit in your business plan.

Your Customers

Who is buying (or will buy) your products and services and why? Who are your customers? (In the case of consumer goods, what is their age range, average income, marital status, average family size, average expenditure, leisure activities, education, etc?) What do they want? How many customers are there in your target market? Why do they buy your type of products and services? How do they perceive your key competitor and their products and services? How sensitive are they to pricing differences?

The better you can describe your customers, the better you will be able to plan how you are going to sell, produce and advertise your product or service. Again use secondary sources to support your findings.

General Information on your Customers

Product/Service #1 Customers -

Product/Service #2 Customers -

Product/Service #3 Customers -

Product/Service #4 Customers -

The Competition

One of the main keys to your success will be in establishing a market niche for your business. To do this, you must understand who your competitors are, where their strengths are, and more importantly, where they are weak. Every product has a competitor of some kind.

When looking at your competition, include direct and substitute competitors. Substitutes are products that are different from yours, but can compete for your market. An example would be an ethnic restaurant. Although it may have no direct competition in the community, it would still compete with other firms that cater to the limited “dine-out” market. Pay close attention to your competitor’s market “niche.” Are they appealing to certain types of customers? Are they focusing on certain features of their products? Why do people buy from them? Ask people who they buy from and why.

In listing your competitors, you may want to group similar competitors together if there is a large number. For instance, if you are starting a restaurant, you may want to categorize drive-through restaurants, family restaurants and dining lounges.

If there are no competitors, discuss the possible development of competition and where it is likely to come from.

Competitor _____ Market Share _____
Strengths _____
Weaknesses _____

Competitor _____ Market Share _____
Strengths _____
Weaknesses _____

Competitor _____ Market Share _____
Strengths _____
Weaknesses _____

What are the strengths of your business and your products, compared with competitors?

What are the weaknesses of your business and your products, compared with competitors?

How will you overcome the weaknesses of your business and your products? What are your plans to improve your weak areas? This is a crucial area, and one that should be looked at very closely. It may be linked to your marketing plan, it may involve changes to your products or service, or it may involve changes to how you are opening your business.

Section 5 – MARKETING PLAN

The objective of this section is to provide your reader with projections of sales and market share and show that your marketing plan will achieve this.

How will you tell your customers about your products and/or services and then convince them to buy from you? Marketing is more than just advertising. It also includes pricing strategies, and how your product or service will be distributed to the customer.

Promotion Strategy

Your promotion strategy is where you promote your products and your firm, trying to create a perception of value among your customers. This could include areas such as customer service, discounts, special sales, charities/causes your business may support, and advertising.

Keep in mind the timing of your promotions. What are the messages you will be sending out to your customers? What are you trying to accomplish? Are you creating awareness of your business, are you trying to create an image for your product or service, or are you trying to create sales? What are the estimated sales and market share that you expect to achieve from these promotions? What methods do you have in place for identifying and contacting potential customers?

What are the costs? Include the strategies you will use (selling methods, the advertising planned, discounts, coupons, etc.). Include any print advertisements, coupons and flyers that are already made up.

Type	Month(s)	Cost
Radio		
Television		
Newspaper		
Magazine		
Flyers		
Coupon/Pak		
Yellow Pages		
Promotional Items (pens, magnets, etc.)		
Business Signage		
Vehicle Signage		
Banners		
Welcome Wagon		
Business Cards		
Internet		
Trade Shows		
Sponsorships		
Charitable Donations		
Networking – Chamber Membership		
Facebook		
Kijiji		

Service and Warranty Policies

It is also important to include the service and warranty policies to your customers. How will you implement policies and methods for handling service problems? Will you offer in store credit, full refunds, etc.?

Price

How do you determine your prices? How do your prices compare with those of your competitors? How do your customers perceive your prices?

Keep three things in mind:

- If your products are **more expensive** than your competitors, why will your customers be willing to pay the extra price?
- If your products are **cheaper** than your competitors, can that affect the way that customers view the value of your products?
- If your products are the **same price** as your competitors, do you have other plans to set yourself apart from the rest?

Section 6 – OPERATIONS

This section is where you describe how the product will be manufactured, including location, plant and equipment. Include information about the manufacturing process and staffing requirements.

Location & Distribution

Location can be a vital part of your success. It can be crucial for retail sales and consumer services, along with some business oriented services. Location is not crucial for all firms – a wide range of firms are run from home. Where location is less crucial, how the product or service is delivered or distributed to customers often plays a more important role. Distribution channels can also play a very important role if your business is a manufacturer or a wholesaler.

Where will your business be located? Why? How will your products or services be delivered or distributed to the customer?

Operating Plan

What facilities or equipment do you require to make your product or provide your service? Will you be operating out of your home? If not, where will you be located? Will renovations be necessary?

Delivery of Products/Supplies

Who are your suppliers? Have you made arrangements for ensuring that your supplies arrive when needed? What sort of terms will they give you?

Staffing Requirements

What staff and skills will you have to hire? Will you need staff for sales, management, technical or other functions? Will some staff be seasonal? Are there enough qualified people locally to manufacture your product or deliver your service? If not, how will you deal with this?

Technological Innovations in Your Field

Are you in a field where technology is rapidly changing? If so, what are the changes and how can they affect you? If your products or equipment can become outdated quickly, you need to be aware of this and make plans accordingly.

Age of Equipment

If equipment is needed to make your goods or to provide your service, has it been purchased? If not, will you buy new or used? If you have it, is your equipment reliable? If it breaks down, could it be repaired or replaced quickly? Could changing technology turn your equipment obsolete? Could a new regulation force you to change your equipment, or give advantages to competitors with different machinery? Can your equipment adjust to meet these and other changes?

Not so Minor Details Section

Businesses are affected by many regulations, and these cannot be ignored. Items like insurance and administration can be relatively minor details, if they are handled properly. If not they can consume a great deal of your time and money.

Licenses and Permits

Business License – Do you have your current license from the local government? Available at the city, town or municipality office.

Name search/registration – Unless your business is a sole proprietorship operating under your own name you must register the business name. Have you done a name search and registered your business name? Available at most registry offices.

GST – If you expect revenues of \$30,000 or more, it is required to register, otherwise it is voluntary. Have you registered? Register with Canada Revenue Agency.

Revenue Canada – If you have employees you will require an Employer Registration Number. Do you have one?

WCB – Do you require a Workers Compensation Board Assessment Number? How much will premiums be?

Zoning – What zoning regulations apply to your business? How will you be affected? Contact city, town or municipality.

Are there any special licenses that are required for your business? If so, have you obtained them?

Insurance

What types of insurance will you need? How much does each type cost?

Section 7 – MANAGEMENT

Your skills and those of your advisors and key employees will play a vital part in your success or failure. There is far more to running a company than simply providing the good or service itself. All businesses require skills in organization, sales, customer relations, crisis management, marketing and technical areas. Successful entrepreneurs either have sufficient experience in these areas to be reasonably effective, or have people with those skills who they can draw on.

You will also need to have plans for overcoming your weaknesses. No one is strong in every area; an effective entrepreneur knows where they are weak and has plans for compensating for those weaknesses. You may need to hire staff, take training in some of your weak areas, or arrange with someone to provide those skills (e.g. Bookkeeper, Lawyer, Advertising Representative, etc.).

Outline the roles your management team will play in your business. Discuss their skills and experience in the following areas. Remember to include key individuals like your accountant even though they may not be employees or management in the strictest sense. Make sure that you note which management know-how, knowledge of the industry or other skills are required for the venture's success. Do the people involved have the relevant experience to act on this opportunity? Ensure you include the relevant resumes of the key individuals.

- **Technical** – the ability to provide the service or make the goods. What education, certificates and experience does the individual have in this area? Include copies of any trade certificates.
- **Sales** – the background in selling products
- **Promotion** – the exposure to using advertising or promoting products
- **Organization** – experience in managing many details at the same time
- **Administration** – experience and education in handling books, tracking cash, etc.

Individual _____ Position _____

Responsibilities _____

Describe the individual's skills and experience as they relate to the business.

Individual _____ Position _____

Responsibilities _____

Describe the individual's skills and experience as they relate to the business.

Individual _____ Position _____

Responsibilities _____

Describe the individual's skills and experience as they relate to the business.

Are there any skills important to the business not possessed by any of the management team? How is your business going to acquire them? **Weaknesses are NOT a sign that you should not go into business.** Everyone has weaknesses. However they are an indication that you should make plans to deal with these weak areas – do not ignore them.

Who will handle your bookkeeping, year-end accounting, taxes and legal matters?

Section 8 – OVERALL SCHEDULE

A well prepared and realistic schedule is critical to the company's success as it indicates the ability of management to plan the company's development. This is a timetable of events or project schedule from plan to actual opening of the business. A schedule should be prepared that shows completion dates for major aspects of the business plan. Ensure that this schedule details all of the steps and/or tasks that need to be undertaken or completed on a weekly or monthly basis.

Section 9 – CRITICAL RISKS

The development of a business involves risks and problems, and it is best to identify these negative factors and discuss them in a forthright manner. To determine the risks and problems that require discussion, you should determine which business plan assumptions or potential problems are most critical to the success of the venture. Then describe your plans for minimizing the impact of unfavorable developments in each risk area.

Another way of thinking of critical risk is Murphy's Law. Anything that can go wrong will. Think of all the things that could go wrong and create a contingency plan for each of these. Would these major problems prevent or hinder start up? Are they overwhelming? Could they cause the business to falter at some time in the near future? What can you do to minimize the risks and problems you have identified?

Section 10 – FINANCIAL INFORMATION

This part of the business plan is used to determine how much money you will need to get the business off the ground and keep it going. When determining your financial needs, consider the following:

- Use and source of funds – how much money you need and where you will get it from
- Owner's drawings – calculation of your personal living expense, and the amount you plan to take out of the business
- Sales forecast: Assumption – what you base your sales forecasts on
- Cash flow projection – a twelve month estimate of sales and cash into your business
- Financing – information needed to get any loan investments you require to start the business

Start-up Costs and Capital

This outlines the money that you will need to start your new business or expand your existing business, along with where the money will be coming from.

Use of Funds

This is a summary showing the amount needed in each area. While it shows the complete picture, it is not necessary to put every single item on the sheet. Only major items should be listed individually. Use of funds covers the following categories:

- Capital items – major pieces of equipment you need to start or to expand
- Inventory
- Other costs – advertising/marketing, business licenses, accounting/bookkeeping fees and other costs related to start-up or expansion
- Renovations
- Operating line – similar to a line of credit, these are funds you need to carry you through slow periods and provide a “buffer” for your organization

Complete only the categories that apply to your business. List the items you are contributing to the business separately from those you will have to buy.

Source of Funds

Once you know what your needs are, you need to determine where the money will come from. List the cash and assets that you are contributing to the start-up or expansion. Show the full amount of any leases, bank loans, investments by partners or other investors, etc.

Use of Funds

Capital Items	\$
Inventory	
Other Costs	
Renovations	
Operating Capital/Line	
TOTAL USE OF FUNDS	

Source of Funds

Bank/Credit Union/Etc.	\$
Community Futures Central Alberta	
Personal Investment Cash	
Assets	
Other (Specify)	
TOTAL SOURCE OF FUNDS	

Total Source of Funds: _____

Less Total Use of Funds: _____

Starting Cash Balance for Month 1: _____ (cannot be negative)

Don't forget that the "total use of funds" and "total source of funds" should equal one another or have a positive balance if you are using your own funds.

Personal Requirements

In this section, you calculate the funds you need to meet your personal living expenses. The numbers generated in this section will become part of your projected cash flow.

There are two types of expenses that you must consider: monthly and periodic. In the Owner’s Drawings section, list both types on the sheet provided. Also list any other sources of income for you, like spousal income. The amount in this section is the **LEAST** you can take from the business. You can take more than this, but you cannot take less. For example, your minimum monthly living expenses may be \$1,900. You could not take out less to live on, although you certainly could choose to take out more.

Monthly Expenses

Housing (rent or mortgage payment)	\$
Property Taxes	\$
Food	\$
Telephone	\$
Heat	\$
Electricity	\$
Car Expense	\$
Clothing	\$
Entertainment	\$
Medical Expenses	\$
Other -	\$
Insurances (if paid monthly)	\$
Other -	\$
Miscellaneous -	\$
	\$
	\$
Less Other Sources of Household Income	\$
Total	\$

Periodic Expenses (once or twice per year)

Item	Month(s) Due	Amount \$

Sales Projections

Assumptions – sales forecasts or projections must be supported to be credible. If your projections are based on your many years of experience in the field, state this. In the case of an existing business, past sales figures may also be used. However, if the forecast varies substantially or if the business is new to you, additional support is beneficial. *The more information you can provide to show how you came up with your sales forecast, the more accurate and meaningful it will be.*

The assumptions should consider any major areas that can affect your business. For example, a retail store should consider the effect of Christmas on their November and December sales. Factors you could include are:

- Seasonal conditions – weather, Christmas, etc.
- Economic conditions – logging down time, housing constructions, spring break-up
- Customers – the number of customers you expect to be working with on a daily, weekly, or monthly basis
- Marketing – they type of marketing or promotion you will be doing during this time, and the number of hours you plan to devote to it

What are your sales assumptions and where did you get the information to support them?

Unit Sales Projections by Product and Month

Month	Product #1	Product #2	Product #3	Product #4
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

Month 1 is the first month of business for which this plan applies. Enter the quantity of each product or service you expect to sell during the month, and include the unit of sales (i.e. hour, day, each, case). Estimate sales for each general type of product you plan to offer, by month. For example, a jewelry business may plan to offer products in four areas (see section 3 on page 5) such as gold jewelry, fashion jewelry, gifts and china. The Entrepreneur would make sales forecasts for each of the four areas or products, **NOT** for every single item the store carries.

Sales Dollars Projected by Product and Month

Month	Price/Unit	Product #1	Product #2	Product #3	Product #4	Total \$
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

In the first Column write the month that corresponds to the month listed. In the Price/Unit column write the price you will be charging for each unit of product or service. For each type of product or service, multiply the number of units you expect to sell (preceding page) by the selling price. Total each row.

Projected Cash Inflows by Month

If you offer credit, some of the money from your sales will be collected in later months. What percentage of sales is collected in the month they are made in or in subsequent months?

Current Month	%
Second Month	%
Third Month	%
Fourth Month	%
Total	%

Cash sales refers to sales where the cash is collected in the month of the sale. Accounts receivable refers to sales where the cash is collected in months subsequent to the sale.

Month	Total Sales (Previous Page)	Cash Sales	Cash collected from Accounts Receivable
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

The key to remember in preparing a cash flow is that you are not trying to determine a profit or loss yet – you are trying to predict the timing of cash in or out of your bank. **Do not spread costs evenly over the year!** For example, if insurance costs \$1,200 per year and it is due in May, put the whole \$1,200 in that month. **Take the time to do it correctly.**

Cash In – Use the sales forecasts on the previous pages to estimate cash into your business. Don’t forget any credit terms you provide – if you agree to payment in 30 days, a sale in January will show up as cash to you in February under Accounts Receivable.

Cash Out – Several categories of expenses are listed. Ignore those that do not apply to your business and add others that are not included that do apply.

- Advertising & Marketing – costs of advertising and promotion
- Direct Labor – labor costs vary directly with the cost of producing your good or services (if an employee is paid per unit manufactured). It should also include employee deductions.
- Staff Wages – this should reflect the number of employees and wage rates. Include employee deductions you are responsible for (UIC, CPP, WCB, vacation pay, etc.). As a general rule, these items usually amount to at least 10% of the wage cost.
- Borrowing Costs – the cost to repay any loans that your business may require. This includes loan payments from banks and other lending institutions.

Starting cash balance is the ending balance for the preceding month.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash Sales													
Accounts Receivable													
GST In													
Loan													
Total Income (1)													
Cost of Sales													
Inventory Purchases													
Other													
Total Cost (2)													
Gross Profit (3=1-2)													
Expenses													
Advertising													
Automotive													
Bank Charges													
Employee Benefits													
Insurance													
Loan Payment													
Legal/Accounting													
Office Supplies													
Property Tax													
Rent													
Repairs & Maintenance Bldg.													
Repairs & Maintenance Equip.													
Shop Supplies													
Tools & Equipment													
Telephone													
Utilities													
Employee Wages													
Owners Salary													
Other													
GST Out													
Total Expenses (4)													
Cash Flow (3-4)													
Bank Account (assume \$0 balance)													

Business Financing

What are you and/or your partners or shareholders contributing to this venture in cash?

What are you contributing to this venture in assets? (Give the current market value of these assets, not the price you paid for them). If there is money owed on these assets, state how much owing.

What is the amount you are looking to borrow?

Make an itemized list of what the funds to be borrowed will be used for.

Supporting Documentation

The following provides a list of some of the supporting documentation that is recommended, if applicable, to support your business plan and/or your request for funding.

- Resumes of key people
- Data supporting the ability to meet sales goals
- Price schedule
- Market survey data
- Drawings
- Agreements
- Articles/publicity/previous advertisements
- Letters of support
- Letters of intent
- Past financial statements
- Journeyman tickets or other certificates of importance
- A copy of your loan proposal
- Offers to purchase
- Quotes
- Tax assessments and/or appraisals for property
- Any other items of importance to your business

Arranging Financing

By this point you will know if the business will require financing. In addition to a business plan, a lender will want to see some sort of loan proposal that states:

- How much money you wish to borrow
- What you are going to buy with the funds (include quotes)
- What you are going to use as collateral for the loan
- The current value of assets being used as security
- A statement of your net worth