



## WHAT IS A BUSINESS PLAN ?

The *Business Plan* is a statement in words and numbers that explains what you want to do and how you will accomplish your objectives. It is a written report of the company's finances, management, employees, products and marketing strategy. The *Business Plan* is an essential planning and tracking tool for both new and existing businesses. While the *Business Plan* can be used to obtain the financing you need, it is also an important step to improving your chance of success.

Acting as a basic road map, a *Business Plan* is essential for:

- ✓ Starting a new business
- ✓ Purchasing an existing business (or franchise)
- ✓ Planning for the future
- ✓ Planning for expansion
- ✓ Restructuring or overcoming obstacles

A *Business Plan* should clearly state:

- ✓ Who you are, What you do and How you do it
- ✓ Where you want to go with your business
- ✓ How you are going to get there
- ✓ What resources are needed to achieve your goals
- ✓ When you intend to see results
- ✓ Why you are presenting the business plan to the reader

A *Business Plan* allows you to access the following about your business:

- ✓ Is there a need for your product or service in the marketplace?
- ✓ Are people willing to pay for your product or service?
- ✓ Will the business be profitable enough to satisfy your needs?
- ✓ What type of financing will be needed to get your business off the ground?
- ✓ What obstacles exist that may affect the success of your business?

Here is a list of just some of the reasons why a *Business Plan* is an essential tool:

- ✓ To determine whether the business is feasible and/or potentially profitable
- ✓ Helps set objectives that can be measured or are obtainable
- ✓ Necessary to get the financing you may need
- ✓ Maintain sight of your direction, objectives and goals rather than straying from the actual plan
- ✓ Allows you to make your start-up decisions and day-to-day operating decisions
- ✓ Prevents wasting time, energy and money

## **SECTIONS OF A BUSINESS PLAN**

The length of a *Business Plan* will be dependent upon the business, however a comprehensive plan will be required to obtain any type of financing. A final checklist at the end of the section can be used to make sure everything has been covered before putting your *Business Plan* into a complete, easy to follow report.

### **COVER SHEET**

A cover sheet should include the name of business, name of principals, address, telephone number of business, and other contact information.

- |                 |                    |
|-----------------|--------------------|
| ✓ Business Name | ✓ Business Address |
| ✓ City/Province | ✓ Phone            |
| ✓ Fax           | ✓ Email/Website    |

### **EXECUTIVE SUMMARY**

The purpose of an *Executive Summary* is to provide a brief overview of your business. As a summary of the business, it should be written last but appear first in the *Business Plan*. Make sure the executive Summary highlights the following about the business:

- |                                   |                                    |
|-----------------------------------|------------------------------------|
| ✓ Type of business and industry   | ✓ Assessment of competition        |
| ✓ Objective of the business       | ✓ Management team/staff experience |
| ✓ Form of business structure      | ✓ Projected financial information  |
| ✓ Products and services offered   | ✓ Funds invested and required      |
| ✓ Key product or service features |                                    |

### **NOTES:**

## **BUSINESS PROFILE**

### *Questions to answer:*

1. How do I set up my business?
2. What advisors will I need?
3. What are my business objectives?

### 1. **Structures** – There are three basic business structures:

- ✓ Sole Proprietor – owned by one person
- ✓ Partnership – two or more people have ownership in the business
- ✓ Corporation – is a distinct legal entity that gives owners limited liability

### Factors to consider when choosing a business structure:

- ✓ Taxes: can be very complex topic and should be discussed with an accountant
- ✓ Risk of loss: sole proprietorships or partnerships are not legally separate from owner. Personal assets are at risk if business assets are not sufficient to cover your business debts. Incorporation generally limits to your investment in the corporation.

### 2. **Business Advisors** – list of recommended advisors for starting and running a business

- ✓ Lawyer
- ✓ Accountant
- ✓ Real Estate Agent
- ✓ Banker
- ✓ Insurance Agent

### Reasons for selecting trusted advisors:

- ✓ Get sound business advice
- ✓ Help you avoid costly mistakes
- ✓ Keeping advisors up to date allows them to help you get where you want to go

3. **Business Objectives** – Knowing the purpose and objectives of your business is important in determining where you will fit in the marketplace and who your intended market will be. Business objectives should include what your business will do and what products or services will be provided.

### **NOTES:**

## MARKET ANALYSIS

### *Questions to answer:*

1. How will I be gathering information about my business?
2. What is the size and characteristics of the market?

### 1. **Gathering Information**

#### Market Research

- ✓ Talk to suppliers, other entrepreneurs, the competition, and potential customers
- ✓ Read trade magazines, Industry Association literature, phone books and other industry directories
- ✓ Use statistics and literature prepared by organizations including Ministry of Economic Development and Trade, Industry Canada, Statistics Canada and human Resources Development Canada

Market Surveys - To determine if there is a need for your product or service, get first hand information from your potential customers or competition by conducting a survey.

Local Resources – The local resources section contains a listing of free resource areas that you can use to research your business idea. They can provide published material, how to books & videos, computers & Internet access and other statistical data.

### 2. **Analyzing the Information**

#### Market Size and Trends

- ✓ Overall size of market i.e. area, population, industry revenues
- ✓ Demographics and Psychographics of customers, competition, etc.
- ✓ What areas do you intend to target? Local, regional, national, international.
- ✓ Average customer expenditures on your product or service?
- ✓ Trends, seasonality, buying cycle, growing or declining market?
- ✓ Where do you intend to sell your product or service?

#### Market Share

- ✓ Overall scope of market: revenue and demand
- ✓ Your realistic share of the market
- ✓ Estimated Annual Sales (estimated total market X your % of market)

Note: analyzing the market share may require conducting your competition analysis first

### NOTES:

## CUSTOMERS

### *Questions to Answer:*

1. What research have I done?
2. What are my potential customers like?
3. How do I market to my customers?

1. **Market Research:** Research is the only way to find out what your potential customers are like. Research may include door-to-door, telephone or mail surveys, discussions with suppliers or competitors, or statistical data. What market research have you conducted?

### 2. **Customer Profile**

- ✓ Who they are
- ✓ What are the needs of your customer
- ✓ How to fulfil those needs
- ✓ How large is the customer base
- ✓ How to reach your target customer
- ✓ What is important to them
- ✓ How to get them to buy from you
- ✓ What they buy
- ✓ Frequency of purchases
- ✓ Why they would buy your product

**Geographics:** Location or areas

**Demographics:** A) Individual: Age, Gender, Income, Education, Occupation  
B) Business: Location, Size, Product/Service, # of Employees, Trends

**Psychographics:** Lifestyles, Values, Interests, Preferences, Motivations, Buying Habits

3. **Marketing to your customer:** One key to success is understanding what your customers want. How do you get them to buy from you? What form of advertising would be most effective for your business?

### NOTES:

## COMPETITION AND SUPPLIERS

### *Questions to Answer:*

1. How do I evaluate my competition?
2. How can I use this information to my advantage?
3. Who are my potential suppliers?

1. **Evaluating your competition:** Compile a list of all direct and indirect competitors. Select up to ten direct competitors and learn more about them.

- |                        |                       |                        |
|------------------------|-----------------------|------------------------|
| ✓ product and services | ✓ customer service    | ✓ target customers     |
| ✓ location, size       | ✓ estimated sales     | ✓ strengths/weaknesses |
| ✓ price                | ✓ number of employees | ✓ brand names          |

2. **Analyzing your competition:** Compile a *Competitive Analysis* with the information just learned will help you identify how to create or what competition advantage you have. A *SWOT Analysis* is a tool used to assess Strength, Weakness, Opportunities, Threats

3. **Locating suppliers:** Identify and analyze potential suppliers to determine who will be right for your business. Prepare back-up list of suppliers. Some sources to help locate suppliers are:

Yellow Pages, Trade associations, or the Directory of Associations

Trade Shows – Annual Directory of Show and Exhibits or International Trade Fairs and Conferences

External Affairs Canada, US Trade and Tourism Development Division

Directories: Chamber of Commerce, Fraser's, Scott's, Vernon's, Canadian Trade Index, City's Industrial Directories, Strategis, COBSC (Canada-Ontario Business Service Centre)

### **NOTES:**

## PRICE AND COSTS

### *Questions to Answer:*

1. What does it cost to offer my product/service?
  2. What do I plan to charge for my product/service?
  3. If and when will I make money?
- 
1. **Costs:** Whether you manufacture or sell a product or service you have three major costs: material, labour and overhead. Provide a complete breakdown of costs.
  2. **Pricing:** What price will you be charging for your product/service? Factors to consider:
    - ✓ Your costs - Material, labour and overhead to breakeven plus a return on investment
    - ✓ Competitor's Price – Influences your pricing but you do not have to charge less
    - ✓ Customer's Demand – You must have an awareness of the product or service demand and your customers' sensitivity to price
    - ✓ Other Factors – Hours of operation, location, service, quality, image and reputation
  3. **Price vs. cost:** You are now able to calculate whether the business can be profitable. Calculate the following ratios (explanation of ratios can be found in Summary of Terms)

**GROSS PROFIT MARGIN (GPM)** = {sales-cost of sales}/sales

**MARKUP** = cost/(1-GPM)

**BREAKEVEN UNITS** = annual fixed costs/(unit selling price-unit variable costs)

**BREAKEVEN DOLLARS** = # units to breakeven X selling price per unit

**INVENTORY TURNOVER** = the amount on hand divided by the amount of inventory sold annually. Inventory turnover should be within industry standards

### NOTES:

## MARKETING AND PROMOTIONS

### *Questions to Answer:*

1. How will I create a business image?
2. How will I attract customers and build awareness?
3. What marketing strategy will I use to attract customers?

1. **Marketing Material:** To create a well recognized business image, colour scheme, typeface and layout of all business materials should be consistent. Your business image can be presented through a logo, letterhead, business cards, flyers, brochures, printed materials and web-site. What marketing material will you be using?

2. **Advertising:** When choosing to advertise you must consider how often to advertise to be effective and budget how much you plan to spend. What advertising will you be doing and how much will it cost?

3. **Marketing Strategy:** (use the 4 P's of marketing)

**PRODUCT** – Customers do not buy products, they buy the benefits and features they receive from a product.

**PRICE** – Is your product “price sensitive” meaning the higher it is the more likely your customer will go elsewhere, or does higher price mean a perceived higher value?

**PLACE** – (location and distribution) How will you distribute your product of service? Identify what benefits your location offers customers and suppliers and describe your location in terms of traffic, visibility, hours of operation, space, leased vs. owned etc.

**PROMOTION** – What promotion will you use: referrals, joining associations, sponsorship, volunteering, networking, press, public speaking or trade shows?

### NOTES:

## MANAGEMENT AND OPERATIONS

### *Questions to Answer:*

1. What are the major business decisions or hurdles that I will face?
  2. What do I need to know about the management team?
  3. What do I need to know about the employees?
  4. What legal issues will I face?
- 
1. **Business:** What is the overall cost of running your business? Identify the major opportunities or obstacles facing the company at this time and how the company will be handling them.
  2. **Management:** Describe your role in the company as Manager. What is the vision that management has developed for the business? List short-term and long-term goals.
  3. **Employees:** Identify key employees and the professional services that you will need to employ to assist the business from time to time. Calculate the number of employees your business currently employs and what you will need in the future. What skills/positions are or will be required? Identify whether training will be provided and how much it will cost.
  4. **Legal Issues:** What licenses, permits, government regulations, inspections and insurance will affect your business? Research any government regulations, changes in the economy, changes in trends that may affect the business or industry now and in the near future.

### NOTES:

## FINANCIAL PLAN

### *Questions to Answer:*

1. What financial statements do I need for external users?
2. What financial statements do I need for internal users?
3. How can these financial statements help me make decisions?
4. How will I finance my business?

**\*\*Use the attached sheets at the end of this section to complete your financial statements. An explanation of financial terms is provided.**

1. **External Financial Statements:** These statements are for external users such as your creditors, bankers and shareholders. They generally include:

- ✓ Review Engagement Reports to shareholders/proprietors/partners
- ✓ Balance Sheet
- ✓ Statement of Income and Retained Earnings
- ✓ Statement of Changes in Financial Position

2. **Internal Financial Statements:** These statements help make key decisions and therefore management will regularly require up-to-date financial data and reports such as:

- ✓ Cash flow
- ✓ Accounts Receivable
- ✓ Accounts Payable
- ✓ Payroll
- ✓ Inventory Levels
- ✓ Production Schedules
- ✓ Assets Management

3. **Internally accurate records** help answer the following questions:

- ✓ How can we plan for the company's growth or declines in business?
- ✓ How quickly can we expand if business is better than expected?
- ✓ Which customers buy more and more often than others do?
- ✓ What is the cost to operate our business monthly?
- ✓ Are we prepared for seasonal fluctuations in cash flow?
- ✓ What expenses are increasing or decreasing?

4. **Types of Financing:** There are two main types of financing that a business will use:

A – Debt Financing

- ✓ Long-term debt
- ✓ Demand loans
- ✓ Line of credit and credit cards
- ✓ Leasing

B – Equity Financing

- ✓ Share capital
- ✓ Retained earnings
- ✓ Owner's investment

Lenders often require collateral to secure the loan. Financial institutions will also check your personal credit rating and the credit capacity of your business.

MUSKOKA ENTERPRISE CENTRE

**Location:** 35A Manitoba St., Bracebridge, ON **Mailing:** 1000 Taylor Court, Bracebridge, ON P1L 1R6  
**Phone:** 705-646-9021 **Fax:** 705-645-1262 **e-mail:** [info@muskokaenterprisecentre.com](mailto:info@muskokaenterprisecentre.com)

*Serving the District of Muskoka*

*Our Partners:*

The Province of Ontario The Town of Bracebridge RBC Financial Group