

# Guidelines for a Business Plan

## Building a Business Plan

Your Business Plan should contain all the information needed to describe your plans for success. All managers should contribute to the plan. Share the plan with your banker. Include information on your company, the industry, the competition, your goals and how you intend to attain them, and your plans for ensuring that all this will get done.

There is no universal format for a Business Plan. It can be structured however you see fit. There is widespread acknowledgement, however that a Business Plan must be well organized, contain enough information to describe and give credibility to your plans, and illustrate your knowledge of what needs to be done to succeed. The accompanying template is an example of relevant questions that need answers and how to organize your information into an easily understandable plan.

The Business Plan comes in three general versions, depending upon what it will be used for. The format remains the same for all three versions, but the emphasis will be different. The three versions are:

- **Feasibility Business Plan** – This is written to test a new business concept or a major new initiative within the existing business. This emphasizes the sources of initial capital, the strength of the market, and the means of selling into this market to generate profit and cash flow.
- **Fund Raising Business Plan** – This plan emphasizes requirements for funding to expand the present business. It also emphasizes the underlying market conditions that would compel investors to provide funding for the expansion.
- **Operating Business Plan** – This is written to be your “recipe” for success by describing your goals and plans in detail. This allows you, your managers, employees, banker, and investors to understand clearly the actions that must be taken to ensure everyone’s success.

The Operating Business Plan is usually the most comprehensive version and is usually included in the other two versions. After all, the management of your company is your first priority.

## **EXECUTIVE SUMMARY**

The executive summary is a very important section of the business plan. Many people including your lending institution or investors, will begin their decision making process by information they find in the executive summary. The summary, placed at the beginning of the business plan, should highlight the most important parts of the business plan. Remember, its main focus is to capture the attention of the potential lender or investor, most outsiders will only read this section so make sure it is clear why they should be interested in your company or idea.

The executive summary should be no more than two pages in length and should include the following:

- A brief description of the business, the idea, the company name, and the services or products sold by the company.
- The ownership structure of the business and the management team who will be operating the business.
- The key objectives of the business plan (i.e. to obtain financing)
- The target market and what is creating customer demand for your product or service.
- Summary of the financial projections, profitability, and potential.
- The desired financing and capitalization needed for the business.

## **COMMON ELEMENTS TO A BUSINESS PLAN**

### **Overview**

- Introduction
- Founder(s) of the Business
- Ownership Structure

### **Financing**

- Start-Up Costs
- Sources of Capital
- Capitalization

### **Products and Services**

- Profile of the Company's Products and Services
- Distinctive Features
- Future Development

### **Market Analysis**

- Primary Customer
- Secondary Customer
- Market Size
- Competitors
- Regulations and Licenses
- Market Trends

### **Marketing**

- Pricing
- Promotion

### **Management and Staffing**

- Management
- Labour and Personnel
- Key Advisors
- References
- Resume

### **Operations**

- Location and Facilities
- Equipment

### **SWOT Analysis**

- Strengths
- Weaknesses
- Opportunities
- Threats

### **Strategy**

- Milestones
- Overall Schedule

### **Cash Flow Projections**

- Assumptions

## **OVERVIEW**

### **Introduction**

- What is the proposed name of your company? Give a brief description of your company. Is this a new company, if not, how long has the company been in operation?

### **Founder(s) of the Business**

- Describe your education, training, business background, or any other experiences, which will help you, develop and implement your idea. Identify personal strengths that will be pertinent to the business.

### **Ownership Structure**

- It is important to identify if the company will be a sole proprietorship, a partnership, or a limited company. A lending institution will not know how to structure the loan if this information is not present (refer to the business start up guide for descriptions of these company types). Describe ownership issues within the company, (i.e. If the company is a partnership, is it a 50/50 partnership? Who has decision-making power? Etc.)

### **Goals**

- What do you want to accomplish from this on a personal level? What are your goals for the company (i.e. typically revenue or profit targets but there are many others)? How will you accomplish these goals? Be detailed and credible in your description.

## **FINANCING & EXPANSION**

### **Start up Costs**

- Identify expenses to begin or expand business operations

Equipment	\$ _____
Starting Inventory	\$ _____
Advertising	\$ _____
Professional Fees	\$ _____
Office Supplies	\$ _____
Rent	\$ _____
Land/Buildings	\$ _____
Licenses	\$ _____
Telephone	\$ _____
Utilities	\$ _____
Repairs	\$ _____
Leasehold Improvements	\$ _____
Vehicle Expense	\$ _____
Miscellaneous	\$ _____
Other	\$ _____
Other	\$ _____
Other	\$ _____
Other	\$ _____
<b>Total</b>	<b>\$ _____</b>

### **Sources and Uses of Capital**

- Where will the money for start-up expenses be raised?

Owner Investment	\$ _____
Shareholders	\$ _____
Loan Monies	\$ _____
Line of Credit	\$ _____
Other	\$ _____
<b>Total</b>	<b>\$ _____</b>

If purchasing or expanding an existing business, provide financial statements for the previous 2 years. Provide a list of what the funds are to be allocated towards (i.e. listing of specific machinery, etc.)

### **Capitalization**

- List any assets the owner(s) intend to invest personally (i.e. vehicle, office equipment, cash, computers, etc.)

## **PRODUCTS AND SERVICES**

### **Profile of the Companies Products and Services**

- What is the companies business? Describe the products or services that your company is offering. For organizational purposes, it may be easier to divide the company's operations into several key components and expand on these (i.e. the company may receive revenues through retail sales, wholesale sales, or by subcontracting its services).

### **Distinctive Features**

- Why is your company special? Why will you be successful in the future? What distinguishes your product or service from what your competitors offer (i.e. why would I call your business instead of your competitor?) Be cautious with statements suggesting "better quality" or "lower price" be certain that you can back these claims.

### **Future Development**

- Include plans you have for future development. This may include company expansion, development of new products, etc. If major changes are expected, include a comment stating the feasibility of the expansion will be determined before a change is made. Future plans are areas the company could pursue, given its capabilities. Do not put anything here that is "off the wall", for example, getting into a new business that would require another business plan.

Note: Lending institutions do not necessarily want to see rapid growth within the company, however they are interested to see that you are looking to the future. **(Be Realistic)**

## **MARKET ANALYSIS**

### **Primary Customer**

- The majority of your customers will have some common characteristics (i.e. age, location, income bracket, occupation, preferences, etc.) Attempt to narrow your market by determining similar client characteristics. Describe your targeted customer in detail. Why will this be your highest sale customer, what are the current trends leading to this, why will they buy from you? This will help to assist you when determining projected revenues, advertising needs, etc.

## Secondary Customer

- Describe an alternate customer market that may be available and describe their characteristics. This will not be your primary market focus but these customers will also use your product (if applicable). Again, go into as much detail as you can when describing this market.

## Market Size

- Describe the size of area your company will service and, the number of potential customers. You may also include the amount of money potential customers currently spend on the products/services you plan to offer (determine this amount to the area you plan to cover).
- Information to assist you on this may be found in the Lethbridge Community Profile, other community profiles of towns or cities within the market area, Statistics Canada, and statistical references in public libraries or on the internet.

## Competitors

- List the companies that will be your competitors for the product/service you plan to provide. Describe their strengths and weaknesses.

Example: If you are opening a video store, all other video stores within your market area will be competition to you. Do not limit to direct competition. If there are no other video stores near you, determine other competitors for the “entertainment dollar” that you will be competing against.

<b>Competitor</b>	<b>Strengths</b>	<b>Weaknesses</b>
Name and Address	What they do right (service,price,quality,size, etc)	What they could do better (service,price,quality,size, etc)

Overall, how does your company compare with the competitors already established in the market area? The weaknesses of your competitors can be used to develop the strengths of your business.

## Regulations and Licenses

- What regulations (i.e. health and safety, standards, etc.) if any, are placed on your business by Federal, Provincial, or Municipal government? Is your business required to have a special license? Bonding? Etc.

## **Market Trends**

- It is important to understand trends in the industry that you will be entering. These may include economic considerations, fashions, new developments, etc.
- If your company has several different products or services you may wish to create a subsection for each category.

## **MARKETING**

### **Pricing**

- Describe the method you will use for pricing your product or service. If there are any terms of payment please include them here (i.e. cash, 2/10, etc.) Will you accept credit card or facilitate payment by bankcard? There are four pricing factors to consider for your product or service:
  1. What are the input costs? (i.e. What are your costs to offer the product or service)
  2. What is the customer's perception of value? (i.e. Does the customer consider the product of high quality, low cost, etc?)
  3. What are the competitors charging?
  4. What are the expected profit margins?

### **Promotion**

- Describe how you plan to market your product/service. Do you have plans to attend trade shows or place ads in trade magazines? Will you produce flyers to distribute to the public? Do you have any ideas for an advertising campaign? Do you have a plan in place to gain free publicity to create awareness about your product?
- Determine a time line (i.e. what months will this action take place) and a budget for the first year of promotion. You may use the following template or change it as necessary.

## **MANAGEMENT AND STAFFING**

### **Management**

- Please identify who will be responsible for each of the key management roles and major responsibilities of the company (i.e. bookkeeping, finances, marketing, customer service, product development and purchasing, staffing decisions etc.)
- List each major task/function and identify the person responsible for the task and whether they have specific training or education relating to the task.



## **Labour and Personnel (If applicable)**

- How many and what type of people will you require to run the company? What qualifications, experience, and education will they require? Will you provide training for them? How much in wages will you pay? Will your company provide benefits? Etc?

## **Key Advisors**

- List the people who can work with you and give advice on setting up your company and the future management and growth of the venture. Naming a specific bank, lawyer, or accountant does not mean you would be expected to retain them, only that you have someone in mind if the situation arises that you should require their services.
- This list may include family, friends, business associates, wholesalers, lawyers, bankers, accountants, and business counsellors – anyone that you trust to assist you in the future.

## **References**

- Provide 3 local and 1 family reference that can be contacted to give a character reference for you on your past education, work experience, or personal character. Ensure to contact these people and let them know you provided their name as a reference.

## **Resume**

- Include a current resume outlining your past education, experiences, and work history.

## **OPERATIONS**

### **Location and Facilities**

- Describe the site of your business, the facilities that are presently in place, the facility (leasehold) improvements required (desired), and the features that make this an attractive site for your venture. Attach sketches and drawings of the layout and plan for the site if applicable.

### **Equipment**

- Describe the necessary office, mechanical, operational, and transportation equipment that is required to run the business. Make a note if any of the equipment is already owned or needs to be acquired. If it is to be acquired, state whether it will be leased or purchased, and the costs involved in doing so.

## **SWOT ANALYSIS**

### **Strengths**

- List the strengths of your business. What are your advantages, what do you do well, what relevant resources do you have, what do other people see as your strengths?

### **Weaknesses**

- List fundamental weaknesses of your business. What can you improve upon, what do you do badly, what should you avoid?

### **Opportunities**

- List the opportunities you see for the business. What are some of the relevant and interesting trends you are aware of in your industry? What are some of the changes in technology, government policy, social patterns, population profiles, lifestyles, local events, etc?

### **Threats**

- List fundamental threats to your business. What obstacles do you face, what are your competitors doing, are the requirements for your business changing, is technology changing? Do you have bad credit or cash flow problems? Do any of your weaknesses previously listed threaten your business?

## **STRATEGY**

- Now that you have all this information, how are you going to make this happen? What do you need to do?

### **Milestones**

- Set specific milestones that will act as short-term goals for you and your company to work toward achieving. When these milestones are achieved, take time to congratulate yourself and your team (i.e. sales targets, revenues, etc.)

### **Overall Schedule**

- Please identify the 10 most crucial steps that must be completed prior to the opening or expansion of your business. Show when these activities will be done.

## **CASH FLOW PROJECTIONS**

- Include a copy of your projected cash flow for the first year of operation.
- An example of the categories for a cash flow projection is on the Excel spreadsheet file.

### **Assumptions**

- Please list assumptions made to determine the projected financial statements as notes to the statements.

