



# Business Plan Guide

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### *Acknowledgments:*

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Once you have discovered an idea you are passionate about, and determined that this idea can be turned into a viable business, the next step should be the creation of your business plan.

A business plan is a vital and dynamic blueprint of your business that will outline the direction in which it will go, how it will get there, and the projected results. Your business plan should reflect how all the pieces of your company fit together to create an organization capable of meeting its goals and objectives. It must also be able to communicate your company's distinctive competence (key competitive advantage).

A business plan is also the key document that investors and lenders rely on when deciding whether or not to finance your business venture. With this in mind, your business plan should reflect professionalism, along the lines of a formal business report. A title page is recommended, which would include: the business name, address, phone and fax number, contact name and date. As well, a table of contents should be included, with each major section beginning on a new page.

While preparing your business plan, try to put yourself in the shoes of the reader. Ask yourself, "As an investor, would I finance this business based on the information provided?" Remember that the lenders and investors don't know your business as well as you, so try to give as much information, based on fact and research, as possible.

Finally, as your environment and objectives change, it is important to update your business plan to reflect the changes.

## Essentials of a Business Plan

### An Introductory Letter

This introduces your reader to the business plan and your reasons for submitting it to them. Whether it is as a request for financing or as an opportunity to receive feedback on the merits of your proposed business, by addressing your reader personally, you have begun to establish rapport and position yourself as someone committed to your plans for business.

### Title Page

On your title page, give the name of your business, contact information and date. If you have a company logo or word mark, it may be used here to demonstrate professionalism and style. Be sure to also include a proper disclosure on this page if the business plan is not to be treated as a prospectus.

### Table of Contents

Although this appears as one of the first items in your business plan, it is best left until the end to prepare. Once you have completed your business plan, you will be able to create a table of contents based on the section within your plan.

### Executive Summary

The Executive Summary provides the reader with a first impression of the business and is therefore a critical portion of the business plan. This section is written after all other components of the plan have been completed. It should be concise, usually no more than one page (never more than two), and should give the reader a clear understanding of your proposed business by summarizing the key points in your plan:

- the specific product/service being offered and who your target market (customer) is
- what the business's competitive strengths are (distinctive competence)
- long term goals of the business
- the background and strength of your management team
- strategic alliance you have formed within your industry
- sales and net income projections
- start-up costs and financing required
- any other critical information the reader should know before reviewing the plan



***Be concise, brief and to the point; Clearly state what the business idea/business is about; Ensure you identify the terms of the deal or financial requirements (if applicable).***

## Company Description

This section will provide an overview of how all of the components of your company fit together. Include information that will set your business apart from the competition. It will not be necessary to go into detail, as most of the subjects will be covered in depth elsewhere in your plan. The following issues should be addressed:

### 1. Background of Your Business

- how the business evolved
- how the product or service evolved
- successes of the business and experiences to date

### 2. Nature of Your Business

- marketplace to be satisfied
- method(s) to satisfy those needs
- individuals/organizations with those needs

### 3. Your Distinctive Competencies (primary factors that will lead to your success)

- superior satisfaction of customer need
- production/service delivery efficiencies
- personnel
- geographical location

### 4. Structure of the Business

- ownership of the business
- form of business (sole proprietorship, partnership, or corporation)
- location of the business
- strategic alliances

- *Provide significant milestones and potential, and avoid any personal opinions or details; Clearly state the market and/or profit potential of the venture; Make it evident that you have a clear direction for the business and are committed.*

## Vision, Mission, and Goals

In this section you should outline what you plan to accomplish with your business, how you plan to do it, when it will be done, and who will carry it out. To do this, you will need to develop your vision and mission statements and set specific goals.

Vision and mission statements are important because they help you look at the big picture of where your company is at now and where it is going. Your vision is your picture/image of your company's ultimate achievement. Your mission statement defines your purpose for being in business, who you serve, and how. It is like a general job description for the business, telling what it is you actually do.

Once you have developed the vision and mission statement for your business, you can set goals. The goal(s) of the company should be specific, measurable, attainable, realistic, and guided by a certain time frame. For example:

"The primary financial goal for my business is to reach \$30,000 in sales revenue for the first year, \$40,000 in the second, and \$50,000 in the third."

The business will be able to meet these sales projections by reaching the following objectives:

1. Reaching 30 new customers per month through advertising and personal selling
2. Expanding the product line to include five new complimentary products by the end of three years
3. Increase the average sale by 7% the first year, 12% the second and 15% in the third through a gradual price increase and complimentary sales.

## Description of Products and Services

Provide a detailed description of your product(s) and service(s) and indicate how it fits in the marketplace. Include the following information:

1. Copyrights, patents, trademarks, and other intellectual property, certification numbers, and any other documents that pertain to ownership.
2. Description of how product was developed and any research conducted (include research data in appendix and reference to this)
3. Photos, sketches, press releases and technical data. (refer to appendix)
4. Description of how the product /service will be produced/provided

- ***Ensure the description of your product/service is not too technical, broad or ambiguous; Include considerations you have made to offset downtimes or seasonal fluctuations in demand; Include a third party evaluation of your product/service if possible.***

## Market Analysis

In order to convince your reader that demand truly exists for your product/service, you must provide factual information. So often this portion of the plan is overlooked by business owners because they believe that they already know that there is demand for their business or they wouldn't be pursuing the idea in the first place, yet the reader is not so familiar with the market. Your market analysis section provides the only basis for your prospective sales and pricing estimates. Make sure this section clearly illustrates evidence of market demand for your product or service. It must also demonstrate that you as the owner not only understand this need but also can meet it at a profit.

All of the sales and pricing estimates will need to be obtained through direct market research. This involves actively searching out competitors and estimating their level of sales and pricing schedules on products/services.

Writing this section is the first real test of your ability to communicate the essence of your business. The inability to express the key concepts will unfavorably impress the reader; therefore you must be certain this section concisely describes the substance of your new or existing business.

Your market analysis should include:

### 1. Customers

- general profile
- Who they are (age, gender, occupation, etc.)
- what their needs and wants are
- number of prospective customer for your business
- factual evidence of customer acceptance of your product/service

### 2. Industry

- general description
- size and growth rate or future outlook
- trends
- Barriers to entering this industry (for example: zoning, certification, regulations, etc.) potential strategic alliances

### 3. Market size

- size of the target market (in \$ and numbers)
- how the market you are targeting will sustain your business

#### 4. Competition

- who they are/how many there are (both direct & indirect)
- what products/services do they offer
- what their strengths and weaknesses are
- how they will react to you as a competitor, and how will you counteract

#### 5. Product and Service Benefits

- the features, advantages and benefits of your product or service

Do your research. Visit your local library for business information. Contact the Business Link Centre in Edmonton for industry and market specific information, Statistics Canada for statistical data, competitors (beyond a 30-mile radius of your place of business) and find out what their customers like or don't like. Do market surveys yourself either by phone or in person to see if there really is a need or demand.

*AWE can also provide you with worksheets to help guide you through your market analysis.*

- *Consider segmenting your market into various components and develop profiles of each;  
Present proof that your pricing is in line with market needs, desires or ability pay;  
Discuss changes in the market caused by economic, social or other trends that may affect demand for your product/service and how you will adapt;  
Demonstrate that you understand your competitors (there's no such thing as no competition) and have a strategy to counteract existing and emerging competition.*

### Marketing Plan

Now that you have demonstrated that there are people who will buy your product or service, you need a marketing strategy to distribute and sell it. It is the specific strategy that your business will follow to attract and keep customers as well as reach its financial objectives. The next four sections will cover the tactics that your business will pursue in order to follow and achieve your company's marketing strategy.

#### 1. Product/Service Profile

A brief description of the type of products or services being offered should be repeated here. You should include the specific benefits of the product/service and how it will meet your customers' needs. You will also want to mention how it is unique in relation to your competition, and highlight what your competitive advantage is.

## 2. Pricing

Your pricing structure should be explained in this section. What is the price of your product and how was it determined? Will you have a wholesale and a retail price, and if so what is your markup? How does your price relate to your competitors and how does it reflect upon your product/service? You should also consider what your break-even point is based on your pricing structure and projected sales volume (i.e. how many products will you have to sell in your first year to cover all of your expenses?). If you will be offering any special discounts explain what your policy will be and how this will be advantageous to your business.

## 3. Place (Sales and Distribution/Accessibility)

The distribution system, or channel of distribution, represents the route taken by your product in order to reach the end-user of your product. You should discuss the different avenues that you will be selling your product to or through. These could include retail stores, trade shows, trade magazines, wholesalers, personal selling, home parties, etc.

If you are providing a service directly to your customers then you must consider the accessibility of your service. How important is accessibility to your customer base and how much are they willing to pay for it? If you own a restaurant, what are your hours of operation, is your location convenient, is parking readily available, etc.?

## 4. Promotion and Advertising

Promotion involves all the activities that your business will undertake to create demand. Advertising is just one of the main methods used to achieve this. Some common forms of advertising include different forms of media (newspaper, radio, and television), trade journal ads, brochures, catalogues, and flyers (direct mail). With the enormous variety of advertising methods available to the average business, you will have to closely scrutinize the effectiveness, in terms of reaching your target market in relation to the cost of doing so. You should include in this section a breakdown on what your advertising expenses will consist of, and a justification of these expenses.

The other side of promotion involves public relations and publicity. Often this form of promotion is free and can produce more results than paid advertising so it should not be overlooked. If you have a unique product or service then send out press releases or ask to talk to the business editor of your local paper, and you may get some free coverage on your business. Other important methods of promoting that women have used successfully are networking, word of mouth, co-sponsoring, allying with other companies, cross-promoting, and bartering.

Keep in mind that through all forms of promotion you will be creating a public image for your company and the promotion methods used should always convey and enhance this image.

*AWE can also provide you with worksheets to help guide you through your marketing plan.*

- *Ensure you have a clearly defined marketing strategy that is rational and achievable;  
Do not assume that sales efforts or marketing can be set up with minimal time and expense;  
Promote marketable differences in your product over the competition.*

## Operating Plan

The operating plan should not overwhelm the reader with details. Some of the areas to cover in this section include:

- supplier relationships
- materials and other inputs required to produce your product or service
- number of employees or contractors
- whether the business is seasonal and how this might affect sales
- how you would meet increased demand
- basic day-to-day procedures if necessary
- time line, with dates and specific actions for carrying out your plan
- location of business and facilities
- inventory planning and controls

- *Take into account long range needs in location, facility and equipment;  
Include information about scheduling of work force, hiring and lay off, overtime and subcontracting of services.*

## Management and Ownership - Unique Team

Your management team's talents and skills are some of the few truly unique aspects of your company. If you are going to use your plan to attract investors or obtain financing, this section must emphasize your management's talents and skills, and indicate why they are a part of your company's distinctive competence that cannot easily be replicated by your competition. If your business is incorporated you should identify who owns the shares and what the percentage ownership is.

Do not use this section of the plan to negotiate future ownership of the company with potential investors. Simply explain the current ownership.

The emphasis should be on the unique traits and abilities of the owners and key personnel that will meet the company's goals and objectives. Include a brief description of each position, the name of the person filling that position and his or her qualifications. A full resume of each owner or key personnel can be included as an appendix to the plan. If you are the sole owner of the business assess your shortcomings, if any, and how you will overcome these. This will demonstrate to the reader that you have carefully analyzed the abilities of the ownership in relation to the company's needs.

For business success, it must be remembered that no one person has the natural inclination to excel at all three critical areas of management: product or service, marketing and finances. Generally, one person may have strength in two of the three areas at most. To increase your chances of success, you must ensure that you have these three critical aspects of management covered. In order to address the management requirements of your business, it may be necessary to access the skills of other people, and put a team in place that will be well equipped to meet the diverse needs of your business. Include a list of the resource people you have to assist with the three key areas, along with their resumes or brief descriptions of their experience.

- *Carefully consider all types of ownership available, and base decision not just on tax benefits, dividend disbursement or other priorities of current or future owners;*  
*Be sure to access advice, counsel and support services of needed professionals;*  
*Ensure you have an adequate system of accounting and tracking of business records.*

### **Funds Required - Sources and Uses**

Any new or additional funding included in your prospective financial statements should be discussed here.

If your business plan will be used to source financing, the prospective investor or lender will scrutinize this section. A lender will most likely look for:

- an explanation of why you need the money
- what the funds will specifically be used for, including a cost break-down
- your collateral (the assets you pledge as security for your loan)
- the proposed repayment terms
- where the sources of funds will be coming from
- What your personal contribution is (cash, equipment, etc.)

How you plan to repay the loan is vital. Financiers will not lend money unless they are confident that it will be repaid.

- *Demonstrate that you (and other key people involved) have made a reasonable financial commitment;*  
*Explain why the ownership structure and terms of the deal are in the best interest of all concerned;*  
*Have your financial statements and projections prepared and/or checked by a reputable accountant if possible.*

## Financial Data – Historical and Future Projections

When preparing your financial projections, you must back those projections with reasonable estimations of the company's sales and operations, and state what reasonable assumptions you have to make to determine those estimations. It is recommended that you provide three projections – best, worst and more likely scenarios (again, based on reasonable estimations and assumptions). This indicates to the reader that you have considered both the upside and the downside risks.

This section contains the financial projections of all information presented elsewhere in the plan. You must include the company's historical financial performance (if an existing business) and your projections of the company's future performance. This gives the reader an idea of where the company has been and where it is heading.

By analyzing your performance, it will also give you an insight into what you have done right in the past and what areas need improvement for the future.

All potential lenders or investors will require financial information on your business. As a minimum requirement for start-up operations, expansion, and acquisitions, you will likely have to provide the following information:

For a new business:

- provide at least a one to three-year financial projection including balance sheet, income statement, and cash flow (can be quarterly after the first year)
- identify assumptions used to develop financial forecast

For an existing business:

- provide up to three years of historical financial statements
- if possible, provide interim financial statements for the current year-to-date, and a projection to year-end
- provide a one to three-year financial projection including balance sheet, income statement, and cash flow
- identify financial used to develop financial forecast

*AWE can also provide you with worksheets to help guide you through the development of your financial projections.*

- *Ensure you set realistic sales and profit projections;*  
*Make reasonable assumptions and show what you are basing your projections on;*  
*Don't underestimate operating expenses, taxes and other "hidden" costs*

### **Contingency Plan**

Describe Plan B – what you will do if you do not meet sales projections, cannot deliver your product/service on time, cannot obtain desired premises, or do not obtain requested financing. Lenders and investors in particular will want to know you are prepared to handle unexpected difficulties.

### **Appendices or Exhibits**

This section will contain documents that support your business plan. This will include items such as: resumes of key personnel and owner(s), pictures of your products, references, market studies, testimonials and press releases, contracts and other legal documents.

As you can see, a Business Plan is a comprehensive document that serves many purposes for your business venture, more specifically; it will be used as a selling tool to find investors and lenders for financing. It can be a bit overwhelming at first, but as you begin to review the requirements, you will discover that most of the information that you require is already in your head - you just have to put it down on paper in a logical, comprehensive and meaningful manner. It requires a significant effort on your part, but the more thorough your plan the greater your chances for launching a successful business idea.

As a final note, there are excellent reference books on effective business plan writing that can be purchased at any bookstore, picked up from any bank, chartered accountant office, or borrowed from you local library. AWE can also identify specific resources to suit your needs.



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