

GUIDEBOOK

How to Write Your Business Plan

penny's hair salon

Penny's Hair Salon ♦ 9527B Westeimer ♦ Brandon ♦ R7B 1R1 ♦ 727-5555

March 3

Ms. Jane Smith
Loans Manager
Lending Institute
123 Main Street
Brandon, Manitoba
R7A 1T1

Dear Ms. Smith:

Your cover letter must be addressed to someone specific. You should call the place you are sending your business plan to and find out the name and title of the person who will review it.

The letter should be short, one page is best, though you can go up to two pages. You should include basic information about your business, yourself and any partners. You should also include the amount of money you are asking for.

The letter should be signed by all partners, or the president on behalf of a corporation.

Sincerely,

Pretty Penny
Co-owner

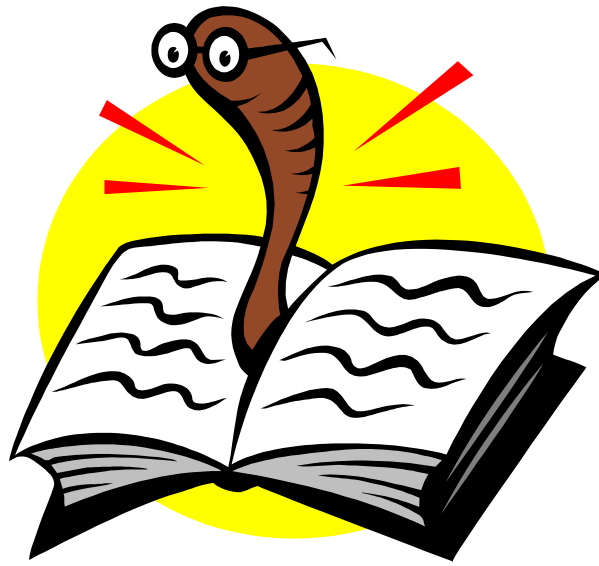
Frank Pretty Jr.
Co-owner

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How To Write Your Business Plan



Guidebook

Guidebook, Workbook and Video Introduction

This “How To Write Your Business Plan” package is an interactive guidebook, workbook and video in closed caption on developing a business plan, produced through the Entrepreneurs with Disabilities Program (EDP). This program is federally funded and locally delivered by Manitoba’s Community Futures Development Corporations (CFDC’s). Under this program entrepreneurs with disabilities from Manitoba will be able to access business services. As well, qualified entrepreneurs will be able to access loan financing and other financial services. This package is designed to assist your understanding of what does into a business plan and how to put all that information together.

The “How To Write Your Business Plan” package will take you step-by-step through what is included in a business plan. This package is intended to be a tool that will help you get your ideas on paper. Not everyone will find all the sections helpful or useful. It depends on what level you are at in the working on your business plan. Those of you who are just starting out with your business idea will want to start at the beginning. Others who have begun work on some areas of their business plan may only want information on certain topics and may find it useful to fast forward the video past areas you are already familiar with. This package was designed so that different sections could be used independently. Your local CFDC has more detailed resources and information, which you can access to assist you even further.

The sample business used throughout the package is not a real business. It is used to provide samples only as a guideline. This fictional hairdressing business has both services and products to enable us to show samples of each. It has been modified from the original “Business Plan Pro” sample to reflect a Canadian Business.

Good Luck!

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1.0 Executive Summary

Use this section to promote your business idea. It should give the reader a general idea of what your business will be like and show its strong points. It is your chance to make a good first impression on the reader of the plan. An executive summary is like the back of a book – you read the back first before you decide if it’s worth reading any further. Though it is one of the first things your reader will see, it should be written near the end.

The summary should include these points:

- Summary of business idea
- Name of business
- Form of business (partnership, incorporation or sole-proprietorship)
- Your mission statement
- Your motto
- Background information (your experience(s), or anything else that might impress people who will read your plan)
- You could also include total funds you are asking for

Example:

1.0 Executive Summary

Penny’s Hair Salon is a full service beauty salon dedicated to consistently providing high customer satisfaction by rendering excellent service, quality products and furnishing an enjoyable atmosphere at an acceptable price/value relationship. We will also maintain a friendly, fair and creative work environment, which respects diversity, ideas and hard work.

Our Mission: To supply services and products that enhances our client’s physical appearance and mental relaxation.

Our motto: Customer Satisfaction Guaranteed

Penny Pretty, co-owner with Frank Pretty, her husband, has worked in a prestigious, upscale salon in Brandon for the past two years. Penny has created a large client following through hard work and dedication. Penny, and her team of talented beauticians, have what it takes to make this venture an extremely successful one. We expect our growing reputation to lead to new clients and attract more beauticians to support our anticipated growth.

Example (continued):

The keys to success in our business are:

<i>Location:</i>	providing an easily accessible location for our customers
<i>Environment:</i>	providing an environment conducive to giving a relaxing professional service.
<i>Convenience:</i>	offering our clients a wide range of services in one setting, and extended business
<i>Reputation:</i>	the owner and other beauticians have a reputation for providing superior personal service.

2.0 Product and Service Description

In this section you should describe your product or service. You want to use this section to show off - to show how good your product/service is.

Example:

2.0 Products and Services

Penny's Hair Salon will be providing both services and products to better meet our customers' needs.

2.1 Service

To start with you want to describe all your services. You then want to highlight the services that will be different from your competitors. Describe everything about your service – personal care and attention for your clients, or a special way of delivering it (like going to your clients' home).

2.2 Product

In this section you need to describe your product in detail. This includes how it is made (if you are making it), or if you are buying it what it looks like. You will describe why your product is better than your competitors' product. Also explain how you will get your product to your customer. If you are making products to sell you could include the design in the appendix.

Example:

2.1 Services

Penny's Hair Salon is considered an upscale, full-service beauty salon. We offer a wide range of services that include:

- Hair: cuts; relaxers; perms; color; shampoo; conditioning; curling; reconstructing; weaving; and waving
- Nails: manicures; pedicures; polish; sculptured nails
- Skin Care: European facials; body waxing; massages

2.2 Products

Penny's will, upon commencement of operations, sell a wide range of beauty products. We will be providing quality hair, nail and skin products. Penny's has an exclusive contract with Joico to sell their top quality products. In addition we will have other name-brand products for sale to meet customer needs, such as Matrix, Paul Mitchell, Rusk and Biolage. The products will include shampoo, conditioner, mousse, hair spray, nail polish, nail files, skin conditioners, and cleansers, facial masks and other such beauty products.

What will set Penny's Hair Salon apart from the competition is our commitment to providing all of these products and services in one convenient location.

2.3 Pricing

In this section you will describe your method of pricing your products or services. Include such things as:

- The cost of providing your product or service
- Show if your price is more or less than your competitor's prices
- What is the normal price mark-up (the difference between what you pay, and what you charge? Most people use a percentage, like 50% more, or 25%, or 10%)

Example:

2.3 Pricing

The brand name hair products will range in cost from \$15.00-\$50.00. These costs will not vary from other competitors, as there is a standard price that salons may charge for these products. Our mark-up will be approximately 60% above the cost for a retail price range of \$24.00-\$80.00. This is standard in comparison to the competition.

Our services will average \$45.00, with a range of \$10.00 for a hair trim to \$150.00 for a complete beauty package (hair, massage, facial, manicure and pedicure). These prices are lower than our competitors' pricing.

3.0 The Market Plan

This is one of the most important, yet often ignored, parts of the plan. So you've projected \$1 million in sales – but can you justify that high amount of sales? Is there a market for your product/service? Is there a need for it? How are you going to show your customer your product, and how are you going to convince customers to buy from you? By doing proper research in this area you can estimate with greater confidence the amount of sales you can expect. You will have a greater awareness of which to target in advertising, how to market, and where your greatest profit may lie. Business people who know their market are more successful and produce greater profits. So what we're saying is a little extra work here will affect your bottom line!

Try to answer the following questions in this section:

- What is your industry, what are the trends?
- Will the economy change, how will any changes affect your business?
- Is it currently growing or declining, will this change soon?
- Where is your market area?

Example:

3.0 Market

The beautification industry is economically stable. However, our market share is on the rise with an increase in disposable income as more women join the workforce. Industry trends show that as time becomes more limited, people want faster, easier and more economical services all in one location. Customers are more educated and more demanding of quality service.

Our market area includes the city of Brandon and surrounding communities. This will include a target population of 3500-4000 people who fit our customer profile.

3.1 Competitive Summary

In this section you will describe who your competitors are. Include the following information:

- Who are your competitors?
- Where are your competitors located?
- What are the differences between their services and your services?
- What market share do they have? (See page 26 for more information on market share)
- What do your competitors charge for their product/service?

Example:

3.1 Competitive Summary

Penny's Hair Salon wants to set itself apart from other beauty salons that may offer only one or two types of service. Having come from such a salon, Penny realized from talking to clients, that they desire all of the services that we are proposing, but they remain frustrated because they must get their hair done at one place, and nails done at another. Although the focus of Penny's Hair Salon is hair services, we do plan to offer our clients the convenience of all these services in one location.

Example (continued):

There are a number of salons like ours, but they are mainly in the very high-income parts of Brandon and surrounding areas. We do not intend to compete with these so called “day spas”. We wish to offer a middle ground for those clients who can’t quite afford those high-end luxury salons.

Our business atmosphere will be a relaxing one where clients can kick back and be pampered. Coffee and soft drinks will be offered to clients as they enter for service. Televisions will be located in the waiting and hair-drying areas.

3.2 Advertising

In this part of the plan you need to describe what type of advertising you will do. You need to talk about things like:

- Print advertising: newspaper ads, posters, Yellow Pages, brochures, flyers, business cards, and direct mail (this is a way to send information directly to individuals, contact Canada Post Corporation to find out how this works).
- Radio and TV ads
- Word of mouth (good customer service)
- Billboards
- Events: sales, grand openings, open houses, etc.
- Joint promotions with other companies/organizations to promote your products (like sponsoring a fund raising event for a charity, or advertising with another company).

Include in this section your business image, or “personality” (should echo your motto).

You should also include the percentage of your budget that you will use for advertising (e.g. If your yearly sales are \$10,000 and you plan on spending \$700 on advertising, then your advertising budget would be 7% of sales).

Example:

3.2 Advertising

Our advertising strategy is a simple one: satisfied clients are our best marketing tools. When a client leaves our business with a new look, he or she is broadcasting our name and quality to the public. Most of our clients will be referrals from existing clients.

No major advertising campaigns are planned. Our research has shown that word of mouth is the best advertising for this type of business. We will, however, run specials throughout the week. We will also offer discounts to the new clients who have been referred. There are plans for a lottery that will offer a free trip to Cancun. A client would simply refer new clients to us, and we will place a card in the box for each client he or she brings. The more they bring, the more chances they have of winning the trip.

We will be running ads in the Brandon Herald on a monthly basis. We have established an alliance with the Herald who will publish our ad for only \$25 per month. Our Yellow Pages ad will be an additional \$15 a month, which will be included on our monthly phone bill. When we run specials we will hire a local person to put out flyers on car windows, at an approximate cost of \$20 per month. The rest of the advertising budget will be spent on paying for the trip, the discounts, and the specials that will be offered throughout the month.

Our advertising budget will be based on approximately 1% of our sales, which will be \$1,200 during our first year.

3.3 Customer Profile

In this section you would describe your potential customers. You need to talk about their ages, sex, income, where do they buy, why do they buy and what do they like (this information is referred to as “demographics”, a good place to find demographics is from Statistics Canada).

Another way of getting customer information would be to do a potential customer survey. To find out more about doing this kind of survey contact your nearest Canada Business Service Center (call 1-800-665-9386 to find the nearest). They will have books on how to create market surveys. Include any customer survey information in this section.

Example:

3.3 Customer Profile

Penny's typical client will be:

- Between the ages of 30 and 55
- Income level of \$25,000 - \$40,000
- Female
- Typically employed part or full time
- Looking for a salon close to the work place, for lunch hour services or immediately after work
- Looking for reasonably priced services with a high level of luxury
- They like to be able to have all beauty care services and products in on location due to a busy lifestyle.

There are approximately 3500-400* potential customers within this profile that would use the services of Penny's Hair Salon

*This number was obtained from PCensus Reports, done by Statistics Canada, of the population of Brandon.

4.0 Operational Summary

This section tells how you will operate your business. It includes the Supplier Summary, Location, Employment Overview, Regulations and Insurance Coverage.

4.1 Supplier Summary

Describe who your major suppliers are and where they are located. What are the terms of payment for your suppliers? (e.g. C.O.D. (cash on delivery), 10 days, 30 days, account, etc.)

Example:

4.1 Supplier Summary

All of the major supplies, combs, hair care products, towels, capes, etc, will be purchased from The Hair Warehouse, which is conveniently located of 24th Street in Brandon. For the first three months, until a credit rating is established, all items will be paid on a C.O.D. basis. Once a credit rating is established an account will be formed which is payable every 30 days. Items cannot be purchased through The Hair Warehouse will be purchased at Loots and Lots located on 296 Main Street in Winnipeg. All supplies purchased at Loots and Lots will be paid C.O.D.

4.2 Location

Describe where your business will be located, if there is any particular changes that will need to be made. Are you renting, leasing, buying or do you presently own the location? Describe any building/land changes that may need to be made to open and run your business (e.g. fire codes, building inspectors, etc.)

Example:

4.2 Location

The salon will be located in a retail strip mall at 9527B Westheimer Road, Brandon, Manitoba. The salon will utilize 1,540 square feet. The space will be rented from Hugh Jones, the owner of the strip mall. The location is strategically situated on one of the busiest streets in Brandon. It is a high profile area, with easy access from all parts of the city.

4.3 Employment Overview

Describe how many jobs positions will be created and what the job descriptions are (e.g. 2 part-time cooks, 1 full time dishwasher). Also include the job that would be created for you and any partners (if this applies to your business).

Example:

4.3 Employment Overview

In the first year, Penny's Hair Salon will require receptionist who will greet customers and receive payment for services and products. The salon will also include a financial manager to oversee all of the expenses, bills, payroll, etc. There will also be three hair stylists (including Penny Pretty), a barber, and a part time nail, facial and massage technician until the business can build a reputation that will attract others to work there.

Everyone but the receptionist and the financial manager will be contract workers, and will be paid a sliding commission scale based on the amount of revenue created.

Training classes to help improve employee product knowledge and skills will be conducted on a regular basis. As the business grows, the company will consider offering an employee benefit package to include health and vacation benefits for everyone.

4.4 Regulations

Describe any regulations that you will have to follow to run your business (e.g. fire, health, dress code, etc) also include any regulations/policies that you may want to enforce on your employees (e.g. being on time, lunch breaks, mannerism in the work place, bonding, etc.)

Example:

4.4 Regulations

Penny's Hair Salon will be operated in strict guidance with the health and dress codes particularly when working with customers. The fire code will also be followed with regards to posters and pictures that will be displayed on the walls. All employees will be expected to be punctual, polite, and respectful to all customers and staff, and follow the implemented dress code, which consists of a company smock, dark pants and dress shirt/blouse. All lunch breaks will be 45 minutes in length and will be staggered between staff from 11:20 am to 1:15 pm.

4.5 Insurance Coverage

Outline the type(s) of insurance that you will need for your business. Be sure to include all areas of insurance such as fire, liability, theft, etc. If possible please include the name of the insurance company as it applies to each type of insurance.

Example:

4.5 Insurance Coverage

The insurance that will be needed for Penny's Hair Salon and the agency that it will purchase through is as follows:

Fire Insurance	-	Home Insurance Agency
Theft Insurance	-	Home Insurance Agency
Liability Insurance	-	Premier Insurance Agency
Car Insurance	-	Insurance Agency
Benefits Packages*	-	True Life Insurance

**This insurance will be purchased as the business begins to expand and grow.*

5.0 Management Summary

In this part of the business plan you will concentrate on yourself and any partners running the business. Describe your education, qualifications, and past business experience (if any). Show how your experience will help your business become successful. Give an outline of your responsibilities. If your business is a partnership outline the responsibilities of each partner.

Example:

5.0 Management Summary

Penny's Hair Salon will be organized and managed in a creative and innovative fashion to generate very high levels of customer satisfaction. This will also create a working climate conducive to a high degree of personal development and economic satisfaction for employees.

Example continued:

Penny Pretty: Co-owner. Penny has been a beautician for two years. As a graduate of Bellaire Beauty College in 199, she quickly developed the trade skills that have led to her success. Since graduation, she has worked at Hair Masters in Brandon as a beautician and has established a variety of clientele. She loves dealing with people and has the drive, ambition and discipline to manage the business and its employee.

Frank Pretty Jr: Co-owner. Frank has a Bachelor's degree in Finance from the University of Manitoba. He has extensive experience managing people and businesses. He has worked as a business consultant for Officer Organizers, Inc. and he is the owner of Guardian Financial Group, a financial service company with over 120 clients and over \$1.2 million under management.

Penny's Hair Salon will be operated as a partnership between Penny and her husband Frank. Penny's responsibilities will include co-managing the overall daily routines of the business, co-supervision of all daily routines of the business, co-supervision of all employees, training employees, and working in the salon 5 days/week as a beautician. Frank's responsibilities will include co-managing the daily routines of the business, supervision of the employees and looking after all of the financial matters related to the business (bill payment, ordering supplier, invoices, etc.)

6.0 Action Plan

In this section you will describe your overall plan of action for the business, Include the following:

- When do you plan on opening?
- How many customers/products do you expect to begin with?
- What are your short-term goals related to customer/product numbers?
Your long-term goals?
- Do you plan on expanding your business in the future?
- Will the number of employees increase?

Example:

6.0 Action Plan

Penny's Hair Salon will be opening January 1st once the finances are received. To begin with Penny's Hair Salon will concentrate on marketing aspect to target new clientele. We expect to service approximately 75 customers a week for hairdressing, an average of 5 customers per day between the 3 hairstylists. It is expected that approximately 10 customers a week will use the nail, facial and massage services. The products will average approximately \$40.00 a day in sales. Within the first six months we expect all of these figures to increase by 15%. Each following year we expect a sales increase of 15%.

As the client increases, Penny's Hair Salon would expand to employ a total of 11 positions, including the owners, which would include: one receptionist, one financial manager, five hair stylists, one barber, one nail technician, one facialist, and a massage therapist.

7.0 Financial Information

7.1 Financing Summary

This part gives a short explanation of the total amount of money you will need to borrow, what you will be using the borrowed money for, and who will lend it to you. This section will be one of the last parts that you write. (See Glossary for terms used in this section).

The information for all these sections will be in later parts of the Business Plan. Once those parts are finished it will be easy to fill in the table in the example (see the example 7.2 Project Costs, in page 24)

The other part of the financial summary is where you will get the money. Personal cash is the money that you will put into your business. Bank Loan is the money you will borrow from the bank. CFDC Loan is the loan you will get from the Community Futures Development Corporations in your area (if it applies). The last section is Other- and for this section you will need to be exact about where to money is coming from (the example shows

Parents for this section, but it could be friends, family, investors, government funding, any other sources of money for the business).

Example:

7.1 Financing Summary

Financing Summary				
Money Needed			Source	
Money needed for	Amount	E or A Estimated or actual	Where the money will come from	Amount
Start-up costs	\$62,000	E	Personal Cash	\$20,500
Working Capital	\$14,000	E	Line of Credit	\$15,000
			CFDC Loan	\$36,000
			Other – Parents	\$4,5000
TOTAL	\$76,000		TOTAL	\$76,000

7.2 Start-up Costs

This part is where you figure out all the money you will need to start your business. It is the part where you will get the numbers to fill in the Start-up Costs table.

Start-up Costs

In this part you will have to answer a series of questions. For every “yes” answer you will have to figure out the cost.

1. *Will you hire people before you open the business?*

If the answer is yes, you have to decide how much you will pay them. You will need to find out how much the legal minimum wage is (call Employment Standards at (204) 945-3352), then you have to decide if you want to pay them more than minimum wage. Think about how many hours you will need them to work. Then multiply the number of hours by the wage. Do this for every person you will hire.

2. *What are your payroll expenses?*

Employees will need holiday pay which 4% of wages (this is not a choice. By law you must give paid vacation of a minimum of 2 weeks a year, or you have to give them holiday pay). In addition, you will have to pay EI (Employment Insurance) and CPP (Canadian Pension Plan). Both the employee and the business have to pay a portion of these costs. If you will be giving the employee any other benefits, like a group insurance package, or a company pension plan, again you will need to find out the costs.

3. *Will you need to use a lawyer or an accountant?*

You should use a lawyer if you plan to incorporate, or if your business has special legal needs. You might want to use an accountant to set up your bookkeeping system, a yearly audit (which is a process that shows you are doing the accounting properly), or for your business taxes. If you will, then find out these costs. Also think of other professionals your business might require (e.g. computer programmer)

4. *Will you need licenses or permits?*

If you don't know call your local municipality office (ask to speak with the Secretary/Treasurer).

5. *Will you be getting insurance?*

There are many forms of insurance, call your local insurance carrier and set up a meeting to discuss your insurance needs, and the costs of different packages. Examples are: life, theft, employee, liability, and many more.

6. *Will you require office supplies?*

Chances are you will need to buy supplies for your office such as paper, pens, paper clips, tape, stapler, scissors, and coffee machine – all the “little” things for your office. Try and think of everything except furniture. Get a catalogue from any office supply store, use the catalogue to find the prices for the supplies you will need. Include delivery charges.

Also consider things like fax machine, calculators, answering machine, computers, or photocopier. For these items also have to decide whether you will lease or buy the equipment.

7. *Will you need furniture and/or display products?*

If yes, you will need to think about what you will need. This includes office furniture as well as customer furniture (like tables and chairs for a restaurant). Remember to include things like extra chairs in the offices for clients to sit, coffee tables, end tables, stands for equipment (like fax machine, photocopier, or coffee machine), filing cabinets, book cases, a safe, coat rack, or any other furniture items. Will you need shelves, glass display cases, tables, stands or anything else that you can put things on or in? To find the price use a catalogue.

8. *Will you start advertising **before** your business opens?*

If yes, then find out the costs. Some advertising ideas are: newspaper ads, Yellow Pages ads, letterhead, or business cards.

9. *Will you need to install new phone, fax, or Internet lines? Will you need to get power, natural gas, or water hooked up or restarted?*

If yes to either, call the utility company (MTS, Manitoba Hydro, etc.) to find out the costs. Include deposit charges as well as installation charges.

10. *Will you be selling things?*

If yes, then you need to include the start-up inventory costs. You will need to find the cost to you of the things you will be selling. This is not the price you will charge your customers, but rather the cost for you to buy it.

If you are making things to sell then you need to find out the cost of all the materials that will go into making your product. For instance if you are going to sell paintings you need to add up the cost of paints, canvass, paint brushes, paint remover, all the things that will get “used up” in making your product.

You should not have more than 2 or 3 months worth of supplies for your start-up budget. One reason for this is that you may find that your customers want different things than you ordered. Another reason is that you want to keep your debt as low as possible, while still allowing you to get everything you need. As time goes by you will be able to buy inventory with your profit.

11. *Will you need to buy or build a building?*

If you will buy a building you need to find out the price. If you are building a building, you will need to find the cost of it, then add 10% for delays, or unexpected costs. Include the cost of the land.

12. *Will your building or rental property need to be fixed up?*

If yes, then you will need to consider all the costs involved, things like paints, materials, labor, carpets, or anything else that will be built into the place. This is usually called “Lease hold improvements”.

13. *Will you need a car, delivery van or truck?*

If yes, find out the type of vehicle you will need and the price. Add in all expenses like taxes, delivery charges, painting your logo on the vehicle, and any extras (like a wheelchair lift, hand controls, electric windows, passenger side air bags, special paint job other than the logo, etc.)

14. *Will you be buying special equipment?*

These are things that you must have for your type of business. For instance a cash register, kitchen equipment for a restaurant, tools (for carpentry, electrical, or woodworking), a barber chair, or any other equipment for your business.

Working Capital

This part includes the costs of running your business during the first month that it is open. As in the Start-up Cost part you will have to answer a series of questions. For every “yes” answer you will have to figure out the cost.

The working capital section will also form the basis for the Cash Flow Forecast (section 7.4)

15. *Will you be hiring staff (include yourself unless you will be on some sort of government allowance)?*

16. *Did you decide to get insurance?*

If yes, you will need to include the cost of the premium charges premiums are the fee you pay monthly for insurance. IF your it is paid yearly, then include that payment in the start-up section.

17. *Are you renting space?*

If yes, then include the cost of your monthly rent.

18. *Will you be buying office equipment or special equipment?*

If yes, then you may decide to include the cost of depreciation (when you buy something the value of that item goes down over time, this is called depreciation). You will have to determine if you want to include depreciation, consult your accountant. To get fixed depreciation rates contact Revenue Canada, or your accountant.

19. *Will you have one or more loans?*

If yes, then you will have to include your monthly loan payments. To do this contact all the places you will get a loan from and they can give you this information.

20. *Will you be advertising?*

If yes, then you have to include the amount of money you will be spending on advertising. Include all costs (e.g. the cost of TV advertising would include air time – the cost the TV station charges – as well as the cost of producing the video). Also include the costs if you will be doing “sales”.

21. *Will you need an accountant or lawyer on retainer (this means that you will pay the lawyer or accountant a small amount, so they will be around if you need them)?*

If yes, find out the costs to do this from your lawyer or accountant.

22. *Will you need regular supplies?*

This includes paper, and all other office supplies, including coffee.

23. *Will you be hiring staff?*

If yes, then you need to include payroll expenses which are vacation pay,, EI, CPP and all benefits (look back to the Start-up part, question 2, for more details).

24. *Will you buy, own, or rent space?*

If yes, then you will need to include the utilities. These include monthly costs for phone line rental (include telephone, fax, and Internet if they are separate lines), electricity costs, water and any other utility. Don't forget about long distance phone charges. To find out the monthly fee for your utilities, just call your local utility company and ask them.

25. *Will you subscribe to a newspaper, or magazine, will you become part of a professional organization (like Chamber of Commerce)?*

If yes, then you need to include all subscription fees, professional fees, or dues.

26. *Will you be paying, or collecting any taxes (GST, PST, and business taxes)?*

If yes, then you must include these costs too. You may only be paying these yearly, if so, find out your yearly cost, then divide by 12 to get your monthly costs.

27. *Will you own your own building? Will you have special equipment or office equipment?*

If yes, then you will need to include repair and maintenance. Also include a little extra cash in here in case something breaks down.

28. *Will you, as the owner, take out any money from the business?*

If yes, decide how much the business will be able to pay you.

29. *The last item, miscellaneous expenses will be a yes for everyone.*

In this part you need to "pad" your budget a little. This is for anything not mentioned above, and also for unexpected happenings. Now you can't predict how much you will need for this, but you base it on your total budget, so if your budget is high, you will have a bigger miscellaneous fund than if you had a smaller budget.

NOTE: In the following example # corresponds to the numbers in the above questions. Y/N – Does this item apply in my business.

Example:

7.2 Project Costs

Start-up Costs			
#	Description	Y/N	Costs
Start-up costs			
1	Salaries – pre-opening	N	
2	Staff Benefits (payroll expenses)	N	
3	Professional Fees	Y	\$300
4	Licenses/permits	Y	\$200
5	Insurance	N	
6	Office supplies	Y	\$5,225
7	Furniture/display	Y	\$2,358
8	Advertising/marketing	N	
9	Utilities	Y	\$150

Example (Continued)

Start-up Costs			
#	Description	Y/N	Cost
10	Inventory	Y	\$450
11	Land & Building	N	
12	Renovations (Leasehold improvements)	Y	\$33,317
13	Vehicles	N	
14	Special equipment	Y	\$20,000
Total (amount for example 1, Start-up Costs)			\$62,000
Working Capital (first month expenses)			
15	Salaries	Y	\$7,433
16	Insurance Premiums	Y	\$150
17	Rent	Y	\$1,895
18	Depreciation	N	
19	Total Loan Payments	Y	\$1,179
20	Advertising/marketing	Y	\$100
21	Professional fees	N	
22	Supplies	Y	\$364
23	Payroll Expenses	Y	\$722
24	Utilities	Y	\$350
25	Subscriptions, professional fees/dues	Y	\$50
26	Taxes	Y	\$107

Example (Continued)

Start-up Costs			
#	Description	Y/N	Cost
27	Repair and maintenance	Y	\$250
28	Owner withdrawal	Y	\$1200
29	Miscellaneous expenses	Y	\$200
Total (amount for example 1, Working Capital)			\$14,000

7.3 Sales Forecast

A sales forecast is an estimate of the amount of sales you expect for the first three years of your business.

There are two ways to forecast sales: the “top down” way and the “bottom up” way. Both ways should be used to estimate sales in order to double-check your numbers. The results of each method should be fairly close to each other. If the two sets of numbers are very different then you have to go back and look at your assumptions (your ideas about how much you can sell). When forecasting sales you have to be realistic – it is better to underestimate sales. If you overestimate your business could be in trouble. For both ways you have to explain all calculations, and have footnotes (notes that you put at the bottom of the page to explain things) to explain all the assumptions you made. You should also show where your information came from, if it was Statistics Canada report, or your own market research.

Top Down

This way uses some steps to make calculations. It uses information based on the people in your area who will buy your product. These are steps to take:

1. Figure out where your customers will come from. For example if your business will be located on the Sandy Bay First Nation, you may have customers from Alonsa, Amaranth and Langruth, as well as Sandy Bay.

2. Find out the total population (number of people) living in the area you chose in step 1. The number of households (households is different from population, population is the number of people - households is the number of homes) in that area. The number of households with your target population income. You can get this information from Statistics Canada, Indian & Northern Affairs, or your local CFDC. For example, let's say that in your area there are 1250 households that meet with your choices.

3. Figure out what part of your households will use your service/product. To figure this out do a "market survey", that is you should talk to some people in your market area to see how many of them will use your service/product. So if you talk to 100 people and 70 of them say they will use your business, then 70% of your households will use your product/service. If you talk to 200 people and 140 say that they would use your product/service, then again you have 70%. To figure out the percentage take the number of people who said yes (140) and divide that by the number of people surveyed (200), then multiply by 100. For instance $140 / 200 = 0.7 \times 100 = 70\%$. As an example let's say that your survey showed that 70% of your households would use your product/service.

4. To figure out the number of possible customers multiply the number in step 2 (1250), by the percentage in step 3 (70), and then divide by 100. So in our example $1250 \times 70 = 87500$, then $87500 / 100 = 875$.

5. Figure out how much each ordinary customer would spend on your product/service each year. To find this out ask Statistics Canada (ask for average family expenditures"), or use your customer survey. For example let's say that your survey shows that the ordinary customer will spend \$215 on your business a year.

6. Figure out the total market potential (the total amount of money to be earned). To do this multiply the results you got from step 4 (875) by the results from step 5 (\$215). So in our example it would be $875 \times \$215 = \$184,255$.

7. Find out the number of other businesses in your area (from step 1) that are similar to yours. For instance let's say there are 2 others.

8. Figure out your “estimated share of the market” (how much of the money from step 6 could be yours). To do that, divide the total market (number from step 6, \$184,255) by the number of other businesses in your area plus one. For example if you have 5 competitors, you will divide by 6. In our example your market share for year one is: $2 + 1 = 3$, $\$184,255 / 3 = \$61,418$.

9. Figure out your annual sales forecast by deciding what percentage of your share you think can realistically get in the first year and multiply that by the number from step 8 (\$61,418). For example, lets say you think you can get 50% of that share in year 1. Your sales forecast for year 1 would be $50 \times \$61,418 / 100 = \$30,709$.

Example:

7.3 Sales forecasts

Sales Forecast “Top Down”			
#	Description	Equation	Result
1	Market Area	Brandon & area	
2	Total Population Brandon & area	From Stats Cda	60,000
	Total number of households	From Stats Cda	35,000
	Total number of households with the income \$25,000-\$40,000	From Pcenus Report, Stats Cda	4,780
3	Service use	Market Survey	70%
4	Potential clients	$4,780 \times 70 / 100$	3,346
5	Average annual expenditures for potential clients	Market Survey	\$800
6	Market potential	$3,346 \times \$800$	\$2,676,800
7	Similar businesses	Yellow Pages	3
8	Estimated share of the market	$\$2,676,800 / (3+1)$	\$669,200
9	Annual Sales Forecast Year 1	$\$669,200 \times 30 / 100$	\$200,760

Bottom up

This way is figured out on the number of jobs, contracts or customers you can realistically get in one year. For instance if you are a consultant working 8 hours a day, five days a week, for 50 weeks of the year and each consultation takes about 4hrs the total number of jobs you can do in a year is 500. If you charge \$75 per hour, your sales potential for one year is 500 (the number of jobs) times 4 (the number of hours per job) times \$75 (the amount you charge for each hour). So $500 \times 4 \times \$75 = \$150,000$ is your potential if you work every day. But in your first year you would only make a part of that potential, a safe guess would be 20% so you take $\$150,000 \times 20 / = \$30,000$.

Example:

Sales Forecast "Bottom Up"			
Description	Numbers	Equation	Result
Clients in a year	8 hours, 5 days a week, 50 weeks a year, 1 hr per service	$8 \times 5 \times 50 / 1$	2000 services per staff
Potential if you work every day	2000 services, \$50 per service, 6.5 staff	$2000 \times 50 \times 6.5$	\$650,000
Sales forecast	\$650,000 potential, 30% of the potential for the first year	$\$650,000 \times 30 / 100$	\$195,500

7.4 Cash Flow Forecast

In this section your Sales Forecast information and the Working Capital part of your Start-up Costs, put them together, and develop it into a 5 year Cash Flow Forecast. The first year will be monthly, the second year quarterly (which means 4 times a year), and the last 3 will be yearly. For example, if in the **4.3 Employment Overview** section (see pg11) your plan says that this year you will have 1 employee, but you plan on hiring 2 more people next year, then your quarterly Cash Flow Statement (for year 2) has to show higher salaries and benefits than your yearly Cash Flow Statement (for year one).

You will be making some assumptions (guesses) about your business for the Cash Flow Forecast. You will need to explain these educated guesses in notes at the end of the statement.

Example:

7.4 Cash Flow Forecast

First Year, Monthly Cash Flow January – June						
	Jan	Feb	Mar	Apr	May	June
Income						
Gross Sales	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974
Receivables						
Total Income	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974
Expenses						
Supplies	\$450	\$495	\$450	\$450	\$495	\$495
Salaries	\$6,877	\$7,545	\$6,877	\$6,877	\$11,217	\$7,545
Payroll Expenses	\$668	\$734	\$668	\$668	\$1,102	\$734
Rent	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895
Utilities	\$350	\$350	\$350	\$350	\$350	\$350
Advertising/Marketing	\$150	\$150	\$150	\$150	\$150	\$150
Insurance	\$150	\$150	\$150	\$150	\$150	\$150
Subscriptions	\$50	\$50	\$50	\$50	\$50	\$50
Owner Withdrawal	\$1,200	\$1,300	\$1,200	\$1,300	\$1,200	\$1,300
Repair & Maintenance	\$250	\$250	\$250	\$250	\$250	\$250
Taxes	\$240	\$240	\$240	\$240	\$240	\$240
Loan payments	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179
Miscellaneous	\$300	\$300	\$300	\$300	\$300	\$300
Total Expenses	\$13,759	\$14,638	\$13,759	\$13,759	\$18,678	\$14,538
Net Cash	\$763	\$1,336	\$763	\$763	(\$2,704)	\$1,436
Cumulative cash flow	\$763	\$2,099	\$2,862	\$3,625	\$921	\$2,357

Please note: “**Net Cash**” is the amount of cash you will earn in each month, and is figured out by “**Total expenses**” – “**Total income**” (\$13,935-\$13,396 = \$540). The “**Cumulative cash flow**” is the “**Net Cash**” added up every month.

Example:

7.4 Cash Flow Forecast

First Year, Monthly Cash Flow July – December						
	July	Aug	Sept	Oct	Nov	Dec
Income						
Gross Sales	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
Receivables						
Total Income	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
Expenses						
Supplies	\$518	\$518	\$518	\$518	\$540	\$540
Salaries	\$7,878	\$7,878	\$7,878	\$7,878	\$12,218	\$12,218
Payroll Expenses	\$768	\$768	\$768	\$768	\$1,202	\$802
Rent	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895
Utilities	\$350	\$350	\$350	\$350	\$350	\$350
Advertising/Marketing	\$150	\$150	\$150	\$150	\$150	\$150
Insurance	\$150	\$150	\$150	\$150	\$150	\$150
Subscriptions	\$50	\$50	\$50	\$50	\$50	\$50
Owner Withdrawal	\$1,350	\$1,350	\$1,350	\$1,350	\$1,400	\$1,400
Repair & Maintenance	\$250	\$250	\$250	\$250	\$250	\$250
Taxes	\$240	\$240	\$240	\$240	\$240	\$240
Loan Payments	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179
Miscellaneous	\$300	\$300	\$300	\$300	\$300	\$300
Total Expenses	\$15,078	\$15,078	\$15,078	\$15,078	\$19,924	\$15,518
Net Cash	\$1,622	\$1,622	\$1,622	\$1,622	\$116	\$4,522
Cumulative Cash Flow	\$3,979	\$5,601	\$7,223	\$8,845	\$8,961	\$13,483

Please note: In our example we have split the table into two parts, but in your actual plan you should have the entire table on one page, you can make the print smaller, and you can turn the page sideways (landscape) to accomplish this.

Example (Continued):

Year 2 Quarterly Cash Flow					
	Year Two	1ST QTR	2ND QTR	3RD QTR	4TH QTR
Income					
Cash Sales	\$228,123	\$54,315	\$54,315	\$54,315	\$65,178
Receivables					
Total Income	\$228,123	\$54,315	\$54,315	\$54,315	\$65,178
Expenses					
Supplies	\$6,884	\$1,639	\$1,639	\$1,639	\$1,967
Salaries	\$109,920	\$26,200	\$26,200	\$26,200	\$31,320
Payroll Expenses	\$10,752	\$2,560	\$2,560	\$2,560	\$3,072
Rent	\$22,740	\$5,685	\$5,685	\$5,685	\$5,685
Utilities	\$4,200	\$1,050	\$1,050	\$1,050	\$1,050
Advertising/Marketing	\$1,500	\$375	\$375	\$375	\$375
Insurance	\$1,800	\$450	\$450	\$450	\$450
Subscriptions	\$600	\$150	\$150	\$150	\$150
Owner Withdrawal	\$30,400	\$7,600	\$7,600	\$7,600	\$7,600
Repair & Maintenance	\$3,000	\$750	\$750	\$750	\$750
Taxes	\$3,000	\$750	\$750	\$750	\$750
Loan Payments	\$14,148	\$3,537	\$3,537	\$3,537	\$3,537
Miscellaneous Expenses	\$3,200	\$800	\$800	\$800	\$800
Total Expenses	\$212,144	\$51,546	\$51,546	\$51,546	\$51,546
Net Cash	\$15,979	\$2,769	\$2,769	\$2,769	\$2,769
Cumulative cash flow	\$29,368	\$16,158	\$16,158	\$16,158	\$16,158

Years 3,4 and 5 Cash Flow			
	Year Three	Year Four	Year Five
Income			
Gross Sales	\$262,340	\$301,691	\$346,945
Receivables			
Total Income	\$262,340	\$301,691	\$346,945
Expenses			
Supplies	\$9,047	\$10,404	\$11,965
Direct Labor	\$123,876	\$140,232	\$156,588
Payroll Expenses	\$12,388	\$14,023	\$15,659
Rent	\$22,740	\$22,740	\$22,740
Utilities	\$4,400	\$4,500	\$4,600
Advertising/Marketing	\$1,500	\$1,500	\$1,500
Insurance	\$1,800	\$1,800	\$1,800
Subscriptions	\$600	\$600	\$600
Owner Withdrawal	\$32,400	\$37,400	\$42,400
Repair & Maintenance	\$3,000	\$3,000	\$3,000
Taxes	\$3,200	\$3,400	\$3,600
Loan Payments	\$14,148	\$14,148	\$14,148
Miscellaneous Expenses	\$4,800	\$4,800	\$4,800
Total Expenses	\$236,299	\$260,947	\$285,800
Net Cash	\$26,041	\$40,744	\$61,145
Cumulative cash flow	\$55,503	\$96,247	\$157,392

Notes to Cash Flow Statement:

- Revenues will grow at an annual rate of 15%
- Revenues will increase 20% in November and December due to an historical jump in revenues at this time of year. Revenues will also increase 10% in February, May and June due to a small historical jump in revenues at those times. We anticipate these increases to stay steady throughout the following year to account for the normal flow of clients coming into the salon.
- Estimates for sales revenue and growth are intentionally low, while anticipated expenses are exaggerated to the high side to show a worst-case scenario.
- Product sales a minimal part of our market. We are not quite sure how much revenue will be derived from products so we took a low-ball approach and estimated only a small amount of sales.

Appendix

The last part of your business plan includes the appendices. In this section you could include:

- Your resume and the resume(s) of any partners or senior staff
- A copy of your market survey, if you did one
- Product/service description in detail, describing everything. Include a price list, or for a product you are making, include manufacturing details and plans
- Copies of business documents, like licenses, incorporation papers, partnership documents, etc
- Personal references and/or letters of support from your community
- Layout of your building, where you will be setting up the different parts of your business
- Potential risks of your business and the plans you have in place to deal with them
- Other financial documents:
 - Break-even analysis (which is the amount of product/service you have to sell so that you have just enough money to run your business)
 - 3 to 5 yrs of past audits if your business already exists (an audit is a document prepared by an accountant)
 - personal net worth statement (a document that lists all forms of money you have, including cars, homes etc., and all things you owe, credit cards, any money you owe)
- anything else that would help better explain your business idea, your skills, and show that you have planned for everything.

Business Plan Example

We have taken all the examples from this guidebook and put them together to help show you what your final business plan should look like.

**Business plan
for**

penny's hair salon

9527B Westheiner

**Brandon, MB
R7B 1R1**

Phone: (204) 727-555

**Prepared by:
Penny Pretty
And
Frank Pretty Jr.**

DATE

penny's hair salon

Penny's Hair Salon ♦ 9527B Westeimer ♦ Brandon ♦ R7B 1R1 ♦ 727-5555

March 3

Ms. Jane Smith
Loans Manager
Lending Institute
123 Main Street
Brandon, Manitoba
R7A 1T1

Dear Ms. Smith:

Your cover letter must be addressed to someone specific. You should call the place you are sending your business plan to and find out the name and title of the person who will review it.

The letter should be short; one page is best, though you can go up to two pages. You should include basic information about your business, yourself and any partners. You should also include the amount of money you are asking for.

The letter should be signed by all partners, or the president on behalf of a corporation.

Sincerely,

Pretty Penny
Co-owner

Frank Pretty Jr.
Co-owner

1.0 EXECUTIVE SUMMARY

Penny's Hair Salon is a full service beauty salon dedicated to consistently providing high customer satisfaction by rendering excellent service, quality products and furnishing an enjoyable atmosphere at an acceptable price/value relationship. We will also maintain a friendly, fair and creative work environment, which respects diversity, ideas and hard work.

Our Mission: To supply services and products that enhances our client's physical appearance and mental relaxation.

Our motto: Customer Satisfaction Guaranteed

Penny Pretty, co-owner with Frank Pretty, her husband, has worked in a prestigious, upscale salon in Brandon for the past two years. Penny has created a large client following through hard work and dedication. Penny, and her team of talented beauticians, has what it takes to make this venture an extremely successful one. We expect our growing reputation to lead to new clients and attract more beauticians to support our anticipated growth.

The keys to success in our business are:

Location: providing an easily accessible location for our customers

Environment: providing an environment conducive to giving a relaxing professional service.

Convenience: offering our clients a wide range of services in one setting, and extended business

Reputation: the owner and other beauticians have a reputation for providing superior personal service

2.0 PRODUCTS AND SERVICES

Penny's Hair Salon will be providing both services and products to better meet our customers' needs.

2.1 Services

Penny's Hair Salon is considered an upscale, full-service beauty salon. We offer a wide range of services that include:

- Hair: cuts; relaxers; perms; color; shampoo; conditioning; curling; reconstructing; weaving; and waving
- Nails: manicures; pedicures; polish; sculptured nails
- Skin Care: European facials; body waxing; massages

2.2 Products

Penny's will, upon commencement of operations, sell a wide range of beauty products. We will be providing quality hair, nail and skin products. Penny's has an exclusive contract with Joico to sell their top quality products. In addition we will have other name-brand products for sale to meet customer needs, such as Matrix, Paul Mitchell, Rusk and Biolage. The products will include shampoo, conditioner, mousse, hair spray, nail polish, nail files, skin conditioners, and cleansers, facial masks and other such beauty products.

What will set Penny's Hair Salon apart from the competition is our commitment to providing all of these products and services in one convenient location.

2.3 Pricing

The brand name hair products will range in cost from \$15.00-\$50.00. These costs will not vary from other competitors, as there is a standard price that salons may charge for these products. Our mark-up will be approximately 60% above the cost for a retail price range of \$24.00-\$80.00. This is standard in comparison to the competition.

Our services will average \$45.00, with a range of \$10.00 for a hair trim to \$150.00 for a complete beauty package (hair, massage, facial, manicure and pedicure). These prices are lower than our competitors' pricing.

3.0 MARKET

The beautification industry is economically stable. However, our market share is on the rise with an increase in disposable income as more women join the workforce. Industry trends show that as time becomes more limited, people want faster, easier and more economical services all in one location. Customers are more educated and more demanding of quality service.

Our market area includes the city of Brandon and surrounding communities. This will include a target population of 3500-4000 people who fit our customer profile.

3.1 Competitive Summary

Penny's Hair Salon wants to set itself apart from other beauty salons that may offer only one or two types of service. Having come from such a salon, Penny realized from talking to clients, that they desire all of the services that we are proposing, but they remain frustrated because they must get their hair done at one place, and nails done at another. Although the focus of Penny's Hair Salon is hair services, we do plan to offer our clients the convenience of all these services in one location.

There are a number of salons like ours, but they are mainly in the very high-income parts of Brandon and surrounding areas. We do not intend to compete with these so called "day spas". We wish to offer a middle ground for those clients who can't quite afford those high-end luxury salons.

Our business atmosphere will be a relaxing one where clients can kick back and be pampered. Coffee and soft drinks will be offered to clients as they enter for service. Televisions will be located in the waiting and hair-drying areas.

3.2 Advertising

Our advertising strategy is a simple one: satisfied clients are our best marketing tool. When a client leaves our business with a new look, he or she is broadcasting our name and quality to the public. Most of our clients will be referrals from existing clients.

No major advertising campaigns are planned. Our research has shown that word of mouth is the best advertising for this type of business. We will, however, run specials throughout the week. We will also offer discounts to the new clients who have been referred. There are plans for a lottery that will offer a free trip to Cancun. A client would simply refer new clients to us, and we will place a card in the box for each client he or she brings. The more they bring, the more chances they have of winning the trip.

We will be running ads in the Brandon Herald on a monthly basis. We have established an alliance with the Herald who will publish our ad for only \$25 per month. Our Yellow Pages ad will be an additional \$15 a month, which will be included on our monthly phone bill. When we run specials we will hire a local person to put out flyers on car windows, at an approximate cost of \$20 per month. The rest of the advertising budget will be spent on paying for the trip, the discounts, and the specials that will be offered throughout the month.

Our advertising budget will be based on approximately 1% of our sales, which will be \$1,200 during our first year.

3.3 Customer Profile

Penny's typical client will be:

- Between the ages of 30 and 55
- Income level of \$25,000 - \$40,000
- Female
- Typically employed part or full time
- Looking for a salon close to the work place, for lunch hour services or immediately after work
- Looking for reasonably priced services with a high level of luxury
- They like to be able to have all beauty care services and products in on location due to a busy lifestyle.

There are approximately 3500-400* potential customers within this profile that would use the services of Penny's Hair Salon

4.0 OPERATIONAL SUMMARY

4.1 Supplier Summary

All of the major supplies, combs, hair care products, towels, capes, etc, will be purchased from The Hair Warehouse, which is conveniently located off 24th Street in Brandon. For the first three months, until a credit rating is established, all items will be paid on a C.O.D. basis. Once a credit rating is established an account will be formed which is payable every 30 days. Items cannot be purchased through The Hair Warehouse will be purchased at Loots and Lots located on 296 Main Street in Winnipeg. All supplies purchased at Loots and Lots will be paid C.O.D.

4.2 Location

The salon will be located in a retail strip mall at 9527B Westheimer Road, Brandon, Manitoba. The salon will utilize 1,540 square feet. The space will be rented from Hugh Jones, the owner of the strip mall. The location is strategically situated on one of the busiest streets in Brandon. It is a high profile area, with easy access from all parts of the city.

4.3 Employment Overview

In the first year, Penny's Hair Salon will require receptionist who will greet customers and receive payment for services and products. The salon will also include a financial manager to oversee all of the expenses, bills, payroll, etc.

*This number was obtained from PCensus Reports, done by Statistics Canada, of the population of Brandon

There will also be three hair stylists (including Penny Pretty), a barber, and a part time nail, facial and massage technician until the business can build a reputation that will attract others to work there.

Everyone but the receptionist and the financial manager will be contract workers, and will be paid a sliding commission scale based on the amount of revenue created.

Training classes to help improve employee product knowledge and skills will be conducted on a regular basis. As the business grows, the company will consider offering an employee benefit package to include health and vacation benefits for everyone.

4.4 Regulations

Penny's Hair Salon will be operated in strict guidance with the health and dress codes particularly when working with customers. The fire code will also be followed with regards to posters and pictures that will be displayed on the walls. All employees will be expected to be punctual, polite, and respectful to all customers and staff, and follow the implemented dress code, which consists of a company smock, dark pants and dress shirt/blouse. All lunch breaks will be 45 minutes in length and will be staggered between staff from 11:20 am to 1:15 pm.

4.5 Insurance Coverage

The insurance that will be needed for Penny's Hair Salon and the agency that it will purchase through is as follows:

Fire Insurance	-	Home Insurance Agency
Theft Insurance	-	Home Insurance Agency
Liability Insurance	-	Premier Insurance Agency
Car Insurance	-	Insurance Agency
Benefits Packages*	-	True Life Insurance

**This insurance will be purchased as the business begins to expand and grow.*

5.0 Management Summary

Penny's Hair Salon will be organized and managed in a creative and innovative fashion to generate very high levels of customer satisfaction. This will also create a working climate conducive to a high degree of personal development and economic satisfaction for employees.

Penny Pretty: Co-owner. Penny has been a beautician for two years. As a graduate of Bellaire Beauty College in 199, she quickly developed the trade skills that have led to her success. Since graduation, she has worked at Hair Masters in Brandon as a beautician and has established a variety of clientele. She loves dealing with people and has the drive, ambition and discipline to manage the business and its employee.

Frank Pretty Jr: Co-owner. Frank has a Bachelor's degree in Finance from the University of Manitoba. He has extensive experience managing people and businesses. He has worked as a business consultant for Officer Organizers, Inc. and he is the owner of Guardian Financial Group, a financial service company with over 120 clients and over \$1.2 million under management.

Penny's Hair Salon will be operated as a partnership between Penny and her husband Frank. Penny's responsibilities will include co-managing the overall daily routines of the business, co-supervision of all daily routines of the business, co-supervision of all employees, training employees, and working in the salon 5 days/week as a beautician. Frank's responsibilities will include co-managing the daily routines of the business, supervision of the employees and looking after all of the financial matters related to the business (bill payment, ordering supplier, invoices, etc.)

6.0 ACTION PLAN

Penny's Hair Salon will be opening January 1st once the finances are received. To begin with Penny's Hair Salon will concentrate on marketing aspect to target new clientele. We expect to service approximately 75 customers a week for hairdressing, an average of 5 customers per day between the 3 hairstylists. It is expected that approximately 10 customers a week will use the nail, facial and massage services. The products will average approximately \$40.00 a day in sales. Within the first six months we

expect all of these figures to increase by 15%. Each following year we expect a sales increase of 15%.

As the client increases, Penny’s Hair Salon would expand to employ a total of 11 positions, including the owners, which would include: one receptionist, one financial manager, five hair stylists, one barber, one nail technician, one facialist, and a massage therapist.

7.0 FINANCIAL INFORMATION

7.1 Financing Summary

Financing Summary				
Money Needed			Source	
Money needed for	Amount	E or A Estimated or actual	Where the money will come from	Amount
Start-up costs	\$62,000	E	Personal Cash	\$20,500
Working Capital	\$14,000	E	Line of Credit	\$15,000
			CFDC Loan	\$36,000
			Other – Parents	\$4,5000
TOTAL	\$76,000		TOTAL	\$76,000

7.2 Project Costs

Start-up Costs			
#	Description	Y/N	Costs
Start-up costs			
1	Salaries – pre-opening	N	
2	Staff Benefits (payroll expenses)	N	
3	Professional Fees	Y	\$300
4	Licenses/permits	Y	\$200
5	Insurance	N	
6	Office supplies	Y	\$5,225
7	Furniture/display	Y	\$2,358
8	Advertising/marketing	N	
9	Utilities	Y	\$150
10	Inventory	Y	\$450
11	Land & Building	N	
12	Renovations (Leasehold improvements)	Y	\$33,317
13	Vehicles	N	
14	Special equipment	Y	\$20,000
Total (amount for example 1, Start-up Costs)			\$62,000

Working Capital (first month expenses)			
15	Salaries	Y	\$7,433
16	Insurance Premiums	Y	\$150
17	Rent	Y	\$1,895
18	Depreciation	N	
19	Total Loan Payments	Y	\$1,179
20	Advertising/marketing	Y	\$100
21	Professional fees	N	
22	Supplies	Y	\$364
23	Payroll Expenses	Y	\$722
24	Utilities	Y	\$350
25	Subscriptions, professional fees/dues	Y	\$50
26	Taxes	Y	\$107
27	Repair and maintenance	Y	\$250
28	Owner withdrawal	Y	\$1200
29	Miscellaneous expenses	Y	\$200
Total (amount for example 1, Working Capital)			\$14,000

7.3 Sales forecasts

Sales Forecast “Top Down”			
#	Description	Equation	Result
1	Market Area	Brandon & area	
2	Total Population Brandon & area	From Stats Cda	60,000
	Total number of households	From Stats Cda	35,000
	Total number of households with the income \$25,000-\$40,000	From Pcensus Report, Stats Cda	4,780
3	Service use	Market Survey	70%
4	Potential clients	$4,780 \times 70 / 100$	3,346
5	Average annual expenditures for potential clients	Market Survey	\$800
6	Market potential	$3,346 \times \$800$	\$2,676,800
7	Similar businesses	Yellow Pages	3
8	Estimated share of the market	$\$2,676,800 / (3+1)$	\$669,200
9	Annual Sales Forecast Year 1	$\$669,200 \times 30 / 100$	\$200,760

Sales Forecast “Bottom Up”			
Description	Numbers	Equation	Result
Clients in a year	8 hours, 5 days a week, 50 weeks a year, 1 hr per service	$8 \times 5 \times 50 / 1$	2000 services per staff
Potential if you work every day	2000 services, \$50 per service, 6.5 staff	$2000 \times 50 \times 6.5$	\$650,000
Sales forecast	\$650,000 potential, 30% of the potential for the first year	$\$650,000 \times 30 / 100$	\$195,500

First Year, Monthly Cash Flow January - June												
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Income												
Gross Sales	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
Receivables												
Total Income	\$14,522	\$15,974	\$14,522	\$14,522	\$15,974	\$15,974	\$16,700	\$16,700	\$16,700	\$16,700	\$20,040	\$20,040
Expenses												
Supplies	\$450	\$495	\$450	\$450	\$495	\$495	\$518	\$518	\$518	\$518	\$540	\$540
Salaries	\$6,877	\$7,545	\$6,877	\$6,877	\$11,217	\$7,545	\$7,878	\$7,878	\$7,878	\$7,878	\$12,218	\$8,212
Payroll Expenses	\$668	\$734	\$668	\$668	\$1,102	\$734	\$768	\$768	\$768	\$768	\$1,202	\$802
Rent	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895
Utilities	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Advertising/Marketing	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Insurance	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Subscriptions	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Owner Withdrawal	\$1,200	\$1,300	\$1,200	\$1,200	\$1,300	\$1,200	\$1,350	\$1,350	\$1,350	\$1,350	\$1,400	\$1,400
Repair & Maintenance	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Taxes	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
Loan Payments	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179	\$1,179
Miscellaneous	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Total Expenses	\$13,759	\$14,638	\$13,759	\$13,759	\$18,678	\$14,538	\$15,078	\$15,078	\$15,078	\$15,078	\$19,924	\$15,518
Net Cash	\$763	\$1,336	\$763	\$763	(\$2,704)	\$1,436	\$1,622	\$1,622	\$1,622	\$1,622	\$116	\$4,522
Cumulative cash flow	\$763	\$2,099	\$2,862	\$3,625	\$921	\$2,357	\$3,979	\$5,601	\$7,223	\$8,845	\$8,961	\$13,483

Year 2 Quarterly Cash Flow – Years 3,4, and 5 Cash Flow							
	1st QTR	2nd QTR	3rd QTR	4th QTR	Year Three	Year Four	Year Five
Income							
Cash Sales	\$54,315	\$54,315	\$54,315	\$65,178	\$262,340	\$301,691	\$346,945
Receivables							
Total Income	\$54,315	\$54,315	\$54,315	\$65,178	\$262,340	\$301,691	\$346,945
Expenses							
Supplies	\$1,639	\$1,639	\$1,639	\$1,967	\$9,047	\$10,404	\$11,965
Salaries	\$26,200	\$26,200	\$26,200	\$31,320	\$123,876	\$140,232	\$156,588
Payroll Expenses	\$2,560	\$2,560	\$2,560	\$3,072	\$12,388	\$13,023	\$15,659
Rent	\$5,685	\$5,685	\$5,685	\$5,685	\$22,740	\$22,740	\$22,740
Utilities	\$1,050	\$1,050	\$1,050	\$1,050	\$4,400	\$4,500	\$4,600
Advertising/Marketing	\$375	\$375	\$375	\$375	\$1,500	\$1,500	\$1,500
Insurance	\$450	\$450	\$450	\$450	\$1,800	\$1,800	\$1,800
Subscriptions	\$150	\$150	\$150	\$150	\$600	\$600	\$600
Owner Withdrawal	\$7,600	\$7,600	\$7,600	\$7,600	\$32,400	\$37,400	\$42,400
Repair & Maintenance	\$750	\$750	\$750	\$750	\$3,000	\$3,000	\$3,000
Taxes	\$750	\$750	\$750	\$750	\$3,200	\$3,400	\$3,600
Loan payments	\$3,537	\$3,537	\$3,537	\$3,537	\$14,148	\$14,148	\$14,148
Miscellaneous	\$800	\$800	\$800	\$800	\$4,800	\$4,800	\$4,800
Total Expenses	\$51,546	\$51,546	\$51,546	\$51,546	\$236,299	\$260,947	\$285,800
Net Cash	\$2,769	\$2,769	\$2,769	\$2,769	\$26,041	\$40,744	\$61,145
Cumulative cash flow	\$16,158	\$16,158	\$16,158	\$16,158	\$55,503	\$96,247	\$157,392

Notes to Cash Flow Statement:

-Revenues will grow at an annual rate of 15%

-Revenues will increase 20% in November and December due to an historical jump in revenues at this time of year. Revenues will also increase 10% in February, May and June due to a small historical jump in revenues at those times. We anticipate these increases to stay steady throughout the following year to account for the normal flow of clients coming into the salon.

-Estimates for sales revenue and growth are intentionally low, while anticipated expenses are exaggerated to the high side to show a worst-case scenario.

-Product sales a minimal part of our market. We are not quite sure how much revenue will be derived from products so we took a low-ball approach and estimated only a small amount of sales.

Appendices

1. Resumes

Penny Pretty
Frank Pretty Jr.

2. Market Survey

3. Product and Service Price List

4. Copies of Insurance contracts

5. Building specifications and layout

6. Financial documents

Break-even analysis

Statement of Personal Net Worth

7. Personal References and Letters of Support

Business Resources for Entrepreneurs

Registration of Your Business Name

Will your business operate other than a sole proprietorship and utilize a name other than your own family name? Will your business name be a new registration?

If you answer yes to either, you must register your business name with:

Province of Manitoba
Corporation and Business Names Branch
10th Floor, 405 Broadway Ave
Winnipeg, MB R3C 3L6
Phone: (204) 945-2500 or 1-800-282-8069

Taxes And Duties

Will your business be providing retail sales (to consumers for the purpose of consumption – not resale)? Will your business be providing wholesale prices? Will your business be manufacturing for resale? Will your business be incorporated and have a permanent establishment in Manitoba.

If you answer yes to any of the above, you must register with:

Manitoba Department of Finance
Retail Sales Tax Branch
101 – 401 York Ave
Winnipeg, MB R3C 0P8
Phone: (204) 945-6444 or 1-800-782-0318

Will your business be engaged in commercial activity with annual sales of GST taxable goods and services of more than \$30,000? If so, you must register for the GST. If sales are less than \$30,000, you can choose to register for GST. The division to contact is:

Central Excise Region
4th Floor, 280 Broadway Ave
Box 1022
Winnipeg, MB R3C 2W2
Phone: (204) 983-4525 or 1-800-463-6737

Employees

Will your business hire employees?

If yes, you must register with:

District Taxation Office
325 Broadway Ave
Winnipeg, MB R3C 4T4
Phone: (204) 983-3918

Will your business hire employees and be required to register under the Manitoba Workers Compensation Act?

To inquire call:

The Workers Compensation Board
Assessment Branch
255 Sherbrook Street
Winnipeg, MB R3C 2B5
Phone: (204) 786-9505 or 1-800-362-3340

Will your business hire employees who require certification for certain trades or will the business require trained trades personnel? If your business hires employees there are employment standards that must be met.

To find out what the standards are call:

Manitoba Department of Labour
Employment Standards Division
604 – 401 York Ave
Winnipeg, MV R3C 0P8
Phone: (204) 945-3352 or (204) 945-3353

Will your business have employees and be under the provincial legislation contained in The Workplace Safety and Health Act.

Manitoba Labour Workplace Safety and Support Division
Room 200 – 401 York Ave.
Winnipeg, MB R3C 0P8
Phone: (204) 945-3446

Provincial Licenses, Permits and Information

Will your business have an impact on the environment?

If there's a possibility then call:

Manitoba Environment
Environment Approvals
Building 2, 139 Tuxedo Ave
Winnipeg, MB R3N 0H6
Phone: (204) 945-7071

Will your business provide transient accommodation (hotel, lodges resorts, out camps, camping grounds)?

If yes please call:

Travel Manitoba
7th Floor, 155 Carlton Street
Winnipeg, MB R3C 3H8
Phone: (204) 945-3796

Municipal Licenses and Permits

Will your business be required to obtain zoning approval? Will your business be required to pay business tax? Will your business be required to obtain a license?

Call your local municipality office (Secretary-Treasurer) and explain your business idea and location of your business. This office can provide you with the number of your local municipal office.

Government Information Phone Numbers

Employment Standards	(204) 945-3352
Manitoba Labor Board	(204) 945-3783
Manitoba Education & Training	(204) 945-8507
Animal Industry Branch	(204) 945-7672
Veterinarian Services	(204) 945-7647
Agricultural Services	(204) 945-7677
Manitoba Farm Machinery Board	(204) 945-3856
Liquor Control Commission	(204) 474-5607

Law Enforcement Services	(204) 945-2887
Child Daycare Office	(204) 945-2197
Public Utilities Board	(204) 945-2638
Manitoba Environment	(204) 945-8132
Manitoba Health Food Protection	(204) 945-7066
Travel Manitoba	(204) 945-3796
Apprenticeship & Training Forestry Branch	(204) 945-7988
Business Resource Center	(204) 945-7739
Canada Business Service Center	(204) 984-2272
Customs and Excise Branch	(204) 983-6393
Consumer and Corporate Affairs	(204) 983-6014
Export Development Corporation	(204) 983-5114
Canadian Importers Association	(204) 862-0002
District Tax Source Deductions	1-800-542-3441
Registrar of Trademarks	(819) 997-1420

Glossary of Terms

Advertising: an activity or methods of passing on information about a product or service, in order to get people to buy the product or service.

Budgeting: basic tools of business planning that shows revenue and/or expenses that are planned for a certain period of time.

Business: the production of goods or services for profit. An individual, a family, a partnership, or an incorporated company can run a business.

Business Plan: the overall map of what the business will do, how it will be done, and how the results will be measured.

Cash Flow: cash coming into a business from revenues versus cash going out to pay expenses.

C.O.D.: Cash On Delivery. Paying for supplies/items at the time they are bought.

Competition: the other businesses, companies or individuals that sell or provide the similar products or services as your business.

Credit rating: the business owner's reputation for prompt payment of expenses owed, as in "a good credit rating".

Current Assets: what the business owns that is expected to be turned into cash within one year.

Customer profile: a description of the key points of the people who buy the products or services of a company.

Debt: money that must be paid back to someone else, sometimes with interest.

Demographics: statistics based on population-related factors (e.g. density, gender, age, education etc)

Direct Mail: an advertising strategy using direct mail service to distribute an advertising message

Discounting: lowering a price through buying a large volume of goods.

Disposable income: the amounts of money people have available to spend after paying expenses.

Estimated sales: the amount of a product or service which is expected to sell in a certain period of time, expressed in dollar amounts and units, if applicable.

Financial Statements: documents that show what a person owns and what he/she owes. A statement of categories showing the nature and amount of assets, liabilities and net worth of a business at a given date.

Fiscal Year: an accounting cycle of twelve months that a business may use to figure out the financial outcome of the business. Recent laws require sole-proprietorships and partnerships to have a fiscal year the same as the calendar year. Corporations may have a fiscal year different from the calendar year.

Form of Business Organization: the legal structure that is established and registered at the appropriate level(s) of government in order to carry on a business. The three most common forms are partnerships, proprietorships, and incorporated companies.

Partnership: a legal business relationship of two or more people or companies who share responsibilities, resources, profits and liabilities. An agreement in writing is essential, describing the nature of the relationship. All partners are personally responsible for the debts and obligations of the partnership.

Market Research: the gathering, recording and analyzing of information relating to the market of goods and services.

Marketing: all those activities involved in creating an interest or desire for your product or service.

Mark-up: the amount that is added to the purchase price of a product to take into account the seller's experience plus a profit.

Net Cash: total income minus total expenses.

Objectives: goals or targets to aim for. The basic starting point for any planning process.

Overhead: expenses such as rent, heat, property tax, etc (e.g. monthly, fixed or variable) needed to keep a business open.

Pricing: setting the price in which the items or services will be sold at. Items/services to be priced include the amount of profit you want to make, what the competition is charging and how much the customers are willing to pay.

Profit: the money left over from selling minus the costs and expenses on making the sale.

Publicity: any news or activity that makes a product or service and the company making or selling generally known. Usually free of cost, minimal cost.

Receivables: money, which is owed to the business for products or services, which were purchased on credit.

Community Futures Development Corporations

The Community Futures Program is a federal government initiative, which was established to assist rural communities in the development of strategies for dealing with a changing economic environment. The program is based on a philosophy that local decision-making and local development are the most effective means for communities to shape their future.

The CFDC's provide a range of services to local entrepreneurs. Some of these services include:

- Small business loans through various loan programs
- Resources for business information
- Business counseling services

For more information on CFDC's, or to find out which office is nearest contact:

Community Futures Partners of Manitoba

127-167 Lombard Ave
Winnipeg, MB
R3C 0V3

E-mail: cfpminc@mb.sympatico.ca

Phone: (204) 943-2905



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Robertson Career College

696 Portage Ave – Winnipeg – Manitoba – R3G 0M6
(204) 774-9444 – Fax (204) 774-9345

Robertson College was founded in 1911 on single premises. It promised students a quality of education of essential skills that will enable them to secure rewarding careers in their chosen field. Courses are provided in four disciplines: Allied Health Services, New Media Arts, Business and Applied Arts, and Law Enforcement.

Dragonfly Universal Designs

A Division of The Dragonfly Toy Company Inc.
291 Yale Avenue – Winnipeg – Manitoba – R3M 0L4
Phone: (204) 453-2222 – Fax: (204) 453-2320

E-mail: service@dftoys.com
<http://www.dftoys.com/universal>

A unique mail order and Internet based catalogue company specializing in all items concerning play, learning and work access for people with disabilities. Selection range from books and toys to computer access and environment control devices.

South Winnipeg Technical Center

130 Hanley Bay – Winnipeg – Manitoba – R3Y 1G4
(204) 989-6500 <http://www.swtc.mb.ca>

Entrepreneurship Program (Instructor: Jim Osler)

The program involves the development of practical enterprise and entrepreneurship skills to meet the opportunities in today's workforce. It is designed to provide students with the skills necessary to start their own business and/or enhance their employment opportunities with any firm.