

What is a Business Plan?

DEFINITION:

- A written operating plan or strategy that is prepared and understood by you.
- It describes and organizes all the information that you have researched and collected on your business idea.
- It explains how you will start and operate your business. It will also explain how your business idea will succeed.

WHAT DOES A BUSINESS PLAN DO?

In general terms, your business plan describes and explains THE EXPECTED RESULTS OR SUCCESS OF YOUR BUSINESS IDEA by answering five basic questions:

WHAT? WHERE? WHO? WHY? HOW?

A BUSINESS PLAN EXPLAINS AND DESCRIBES IN WORDS, NUMBERS AND DOLLAR VALUES:

1. All aspects of your business in a step-by-step process.
2. All costs for the start-up and the daily operation of your business.
3. What you will sell and why.
4. Sales potential, in terms of amount, dollar value and profit, which explains how you will make money.
5. Your marketing/sales and advertising/ promotion strategies on how to reach and sell to your customers.
6. Your “back-up” or contingency plans in case of unexpected problems or circumstances.
7. Your goals and objectives from a short, mid and long term time frame.

WHY WRITE A BUSINESS PLAN?

THERE ARE MANY GOOD AND IMPORTANT REASONS TO PLAN!!!!!!

1. The process helps you think through *your* business idea carefully and in detail
2. It motivates you to find out as much information as you can so you can figure out:
 - What kind of business am I in?
 - What are my opportunities in this type of business?
 - What are the potential problems or risks I would face?
 - What do I need to know about the industry?
 - Who is the competition?
 - What do I need to know about the competition?
 - What are the competition’s strengths and weaknesses?
 - What are my advantages over the competition?

Who are the customers and how do I reach them?

3. Planning provides you with the opportunity to judge and evaluate your entire business idea from a risk perspective before spending little or any money or further time and effort.
4. Planning helps you recognize and understand where you need more help or information such as training, skills, industry experience, knowledge, education or outside expertise.
5. Planning helps you stay organized and focused on what you are doing and what you want to accomplish.

A BUSINESS PLAN ALSO DOES THE FOLLOWING:

1. Organizes and presents information about your business in step by step style so you can operate so you can operate and manage your business in a logical and efficient manner and stay on track.
2. Decreases the risk of oversights, errors and unpleasant surprises.
3. Increases the opportunities for business success.
4. Remind you of good ideas or ways to save time and money especially when you get busier and may not have time at that particular moment to sit down and think about what you need to do.
5. Confirms your belief in the viability of your business idea.
6. Helps you organize your vision and ideas so you fully understand what you want to accomplish and allows you to be able to communicate them clearly to anyone connected to your business or to outsiders such as suppliers, investors or a bank.
7. Provides important information required for the process of obtaining the necessary money or financing from outside sources.

HOW MUCH INFORMATION SHOULD I INCLUDE IN MY BUSINESS PLAN?

The most important issue is the “quality” of the information, not the length or style!

How much information you put in your business plan depends on the answers to the following questions:

- What kind of business are you starting?
- How simple or complicated?
- How large or small?
- What types of products and/or services are you offering?
- How will the business operate?
 - Home based (retail)?
 - Storefront (retail)?
 - External business office?
 - Manufacturing plant?
- The physical area your business will operate in such as your neighborhood, city, province, and country.

THE KEY ISSUE IS:

- You determine how much information makes sense for your business idea
- Remembering, it should contain enough detailed information, facts, numbers, and dollar values as needed.
- To make sense to you or someone else, such as your investors, partners or a bank
- The information can be presented in a story or paragraph style, or in simple point form statements, which ever style you prefer.

AGAIN THE IMPORTANT ISSUE IS
"QUALITY" OF INFORMATION
NOT
QUANTITY OR STYLE!!!

PARTS OF A BUSINESS PLAN

1. Covering letter
2. Title or cover page
3. Table of contents
4. Business or executive summary
5. The Plan
6. Financial Projections –Attachments
7. Risk Analysis and Summary
8. Other attachments or appendices

BUSINESS PLAN – PART 1

COVERING LETTER

- 1 page – written last
- is addressed to someone (investor or bank)
- describes what you are sending and why – when asking for a loan, ask for it, and ask for the amount of \$\$\$\$
- explains your expectations and a time frame for a reply
- indicates where and how you can be reached

BUSINESS PLAN – PART 2

TITLE OR COVER PAGE

- 1 page
- give a title to package (include date)
- (i.e.) business plan for a. b. c. company

Also list

- contact name, address and telephone number (include business name, address and telephone number if available, for sole proprietorship) or;
- owners/partners names, addresses, and telephone numbers (include business name, address, and telephone number if available for partnership) or;
- company name, address, telephone and fax numbers along with key company contact names, titles and direct telephone numbers for incorporated business.

BUSINESS PLAN – PART 3

TABLE OF CONTENTS

- 1-2 pages in length depending on extent of business plan
 - lists all parts of your business plan in order and page numbers, so information can be looked up quickly
 - your table of contents can be short and simple or more detailed as required
 - should reflect the size and complexity of your business plan

“WRITING TIP”

THIS TABLE CAN BE USED LIKE AN OUTLINE OF AN ESSAY TO HELP YOU WRITE YOUR PLAN IN A LOGICAL ORDER...IT CAN HELP YOU KEEP ON TRACK.

**EXAMPLE
SHORT TABLE OF CONTENTS**

This table of contents would be typical for a sole proprietor or partnership, which is a small business, either home-based or a small shop, store or business office.

BUSINESS PLAN: TABLE OF CONTENTS

1. BUSINESS STRUCTURE	.....P.1
2. OWNERSHIP, STRUCTURE, CONTROL	.....P.2
3. MARKET & INDUSTRY RESEARCH	.....P.3
4. MARKETING & PROMOTION	.....P.6
5. OPERATIONS	.....P.8
6. FINANCIAL PROJECTIONS	.....P.10
7. RISK ANALYSIS & SUMMARY	.....P.15
8. ATTACHEMENTS / APPENDICES	.....P.16

**EXAMPLE
DETAILED TABLE OF CONTENTS**

This table would be typical of a more complex business such as a larger retail store, restaurant, manufacturer or wholesaler.

BUSINESS PLAN – TABLE OF CONTENTS

1. BUSINESS CONCEPT/IDEA	.....P.1
(a) The business	
(b) The product or service	
(c) The industry	
(d) The business goals	
2. MARKET & INDUSTRY RESEARCH	.....P.4
(a)	
- description & size	
- trends	
- competition	
- market share	
- growth potential	
- customers	

- (b) Products or servicesP.8
- types / selection
 - packaging
 - pricing policies
 - distribution
 - servicing & warranties
 - suppliers
 - methods of selling
 - environmental concerns

- (c) Advertising & promotionP.11
- image & promotion
 - environmental concerns
 - external methods
 - internal methods

3. OPERATIONSP.13

- (a) Location
- accessibility
 - visibility
 - traffic flows & parking
 - image / design / layout
 - hours of business

- (b) Premises & facilitiesP.15
- design / layout
 - equipment & fixtures
 - capital investments
 - replacements needs
 - growth needs
 - environmental concerns

- (c) Materials & suppliesP.17
- sources & supply
 - material handling
 - inventory controls

- (d) Management & staffingP.19
- management
 - key personnel & duties
 - operational needs
 - training
 - controls & structure

4. FINANCIAL PROJECTIONS	.....P.21
(a) Sales forecasts	
- by product lines	
- by dollar values	
(b) Base assumptions for projections	
- break-even analysis	
- cash flow projections	
- projected income statements	
- projected balance sheet	
5. RISK ANALYSIS & SUMMARY	.....P.28
6. ATTACHMENTS / APPENDICES	.....P.29
- management resumes	
- key personnel resumes	
- personal net worth statements	
- lease agreements	
- contracts	
- applicable legal documents	

BUSINESS PLAN PART 4

BUSINESS OR EXECUTIVE SUMMARY

- 1-2 page maximum
- written last, but placed near beginning of package
- provides a brief description of the business
- explains what you want to do
- states how much money you need
- states how much cash and/or assets you are investing in you business (called your equity)
- states how much financing you require
- explains what you will do with the borrowed money
- provides a brief explanation of your potential for success
- explains why you think your business idea will work

BUSINESS PLAN PART 5

WRITING THE PLAN

As a guideline, you can use the sample detailed table of contents previously shown to organize your research information on a logical order for writing purposes. Starting with Section 1 – explain and describe the following:

SECTION 1 (A) YOUR BUSINESS

Give a complete description of your business that includes:

- legal name of business
- operating or trade name of business (if applicable)
- address / location where business will operate
- mailing address, if different from location
- telephone and fax numbers
- applicable zoning & regulation information
- region or municipality where business will operate
- business legal form or structure
- jurisdiction where business will be registered
- key people in the business
- date of business start-up
- other important information such as licenses, permits, business trademarks, logos, etc.

SECTION 1 (B): YOUR BUSINESS IDEA (THE PRODUCT OR SERVICE)

Good ideas for products and services need to be described in detail, so everyone, including you, fully understands your concept.

- name and describe your main products or services
- explain what purposes they serve and the demand for them
- name similar products or services available from potential competitors
- describe strengths and weaknesses of direct and indirect secondary competitors
- what is special or different about your product or service that can give you an advantage over the competition.
- what is the advantage or benefit to the customer
- if this applies to your idea, describe if there are any patents or copyrights, trademarks, or design registrations and how they might affect your business development
- if this applies to your idea, describe the type of protection you will apply for if you need to and have available for discussion, your working drawings and designs
- describe any regulations, laws or standards that apply to the product or service

SECTION 1 (C): THE INDUSTRY

This section describes the overall industry and how your business will fit or compete within the industry

- describe industry profile, showing the size, both from quantity sold and dollar value
- types of businesses (huge, large, average, small, tiny)
- industry trends and image
- main challenges and problems in the industry

- industry future or potential (viewed from outside and inside the industry)
- where does your business “fit” into the industry, based on size, products, services or anything else
- how will your business compete in the industry what is your competitive “edge” or advantage
- how will you use your “edge”

SECTION 1 (D): BUSINESS GOALS

- Describe your personal and business goals
- How will these goals increase or benefit your potential business success
- Explain and describe what you hope to achieve, in each of the first years of your business, considering the following points:
 - the amount of time invested
 - the total amount of time invested
 - products or services sold (number of and dollar value)
 - services provided
 - overall profit made
- It is also important to consider and explain how your personal and business goals support each other. Are there any conflicts or potential conflicts that you need to resolve before starting a business, such as child care issues, family time, and other family responsibilities? If so, how will you resolve them? Do you have some flexibility build into your plans, if problems arise in the future?

SECTION 2: MARKETING: HOW WILL YOU REACH YOUR BUYERS?

The term “market” is a general name used to describe a group of people who want and are able to buy a certain product or service.

As a process, marketing involves all the different stages, from getting an idea for a product or service, researching it, developing plans and finally delivering it to paying customers

This process includes:

1. Finding out what the market wants, will buy, when and how much they will pay for it
2. Designing products or services to meet those customer wants
3. Comparing other similar products and services available for sale to yours
4. Doing market research with potential customers to test sales potential and profitability of your business idea
5. Presenting products and services in ways that are attractive to buyers
6. Developing a marketing strategy as a coordinated plan for all the different aspects of marketing

HOW DO YOU FIND OUT IF YOUR BUSINESS IDEA WILL WORK?

MARKET RESEARCH

Have you ever...

- Tried on a new pair of shoes before buying them?
- Had a small taste of a hot sauce before smothering your plate?
- Been a guest at a club before signing up for annual membership?

You do these things to avoid owning an uncomfortable pair of shoes, making sure you enjoy a new taste experience, and ensuring that your club membership delivers the benefits you believe are available.

These are examples of individual research. Market research is a very similar exercise in a business context! For example, you might want to:

- find out how the local economy is doing before opening a new, upscale dress shop
- do a patent research before borrowing \$100,000 to produce a new kitchen device
- calculate whether you can make a profit if it costs you \$0.75 to make each earring

The purpose of market research

- to determine if your business idea can be profitable by gathering and analyzing information about the market and your competition
- when your market research is complete you can develop a Business Plan to show how you will operate your business, and how it will be profitable

How Do I Do Market Research?

Market Research is:
asking questions
finding existing information
about the market
the competitors
and the customers

Typical questions might be

- What kind of person is most likely to buy my product?
- Are there enough of those people for me to make money?
- How can I reach those potential customers?
- Is someone else already doing this? If so, how do I compete?

Once you have the answers (the data) you then analyze them to develop a plan for building your company and marketing that product or service.

CAUTION

MARKET RESEARCH CAN SHOW THAT YOUR IDEA MIGHT NOT WORK IN THE CURRENT MARKET REALITY!!!!

IF YOUR IDEA ISN'T VIABLE – MEANING YOU CAN'T MAKE MONEY AT IT – WELL DONE MARKET RESEARCH CAN TELL YOU THIS BEFORE YOU INVEST TOO MUCH TIME AND MONEY.

IT CAN TELL THAT WOMEN IN RURAL MANITOBA WON'T PAY \$54.95 FOR A PERSONALIZED SCHEDULING CALENDAR!!!

HOWEVER, MARKET RESEARCH CAN ALSO POINT YOU TO THE NEXT IDEA FOR A SUCCESSFUL VENTURE. THE MORE INFORMATION YOU HAVE, THE MORE OFTEN YOU WILL RECOGNIZE OPPORTUNITY AND THE BETTER YOU WILL BE ABLE TO EVALUATE IT.

When do I do market research?

1. Before starting a business
2. When introducing a new product or service
3. To maintain existing business

Market research can

- Analyze the market
- Analyze the market to your product or service
- Analyze the effectiveness of your advertising / promotion
- Provide information for strategic planning

Where can I get information? **What sources are available?**

Primary research (information you gather / generate)

conducting surveys
talking to potential customers, salespersons/suppliers, competitors
observing other business activities
observing customers
“be a customer” at potential competitors
telephone interviews
test market some sample products
customer services inquiries (existing businesses)

coffee breaks with friends and business contacts
service and professional organizations
other business contacts
family and friends...

Secondary research (information there for taking or buying – put together by someone else i.e. StatsCan)

local business resources / development centers
chamber of commerce
libraries, especially reference librarians!
periodicals such as:
 Canadian Business Review
 The Financial Times of Canada
 The Globe and Mail Report of Business
 Small Business Magazine
 Western Commerce and Industry
telephone directory yellow pages
Trade magazines and journals
company annual reports
industry and trade associations
other market research reports
informal contacts/networks in this and related industry
specialized books about this or related businesses
provincial and federal statistics reports (Statistics Canada)
Canada Business Service Centre
Federal Business Development Bank
Community Futures Offices
Rural Development
Manitoba Agriculture
Red River Community College
University of Manitoba

Secondary sources can give you information about:

Demographic Statistics
scientific study data
media survey data
public polls
patent and trademark data
legal information
addresses and phone numbers
information on business procedures
prices and specifications

Both types of research are important

What types of information will they give me>

- A) Quantitative information is expressed as quantities, percentages, and numbers... You get this kind of information from multiple choice questionnaires, economic reports, Census reports (i.e. demographics). Look again at the list for sources of secondary research. These are also place that you can find quantitative information.
- B) Qualitative is “fuzzy” data about people’s feelings and perceptions. It is often related to opinions and customer services concerns. For example,

I felt welcome...
 The design isn’t as clever or useful as it should be
 Your service is terrible
 I think your store in only for punkers

It’s important to remember that market research is about people. Demographics and psychographics are effective ways to understand people in the market.

WHAT DO I KNOW ABOUT MY CUSTOMER?	
Are my customers male or female?	
Age range (child, teen, young adult, middle age, senior)	
Occupation type (white-collar, blue-collar sales, service, student, business owner, retired)	
Specific Occupation (if important)	
Home owner (if important)	
Family Income range	
Hobbies and Interests	
Other important characteristics	
Main benefit this customer gets from choosing your product or service	

Demographics- “Just the facts ma’am” – age, gender, income, type of car, type of home, hobbies, number of kids.....

Psychographics- What groups of people care about, how they feel, what they value and how they live.

Does your product or service match the customer?

Here’s an exercise to think about this.....

Remember the exercise in the session with “objects” and describing the customer?

The key to successful research is to decide what you need to know

FORMULATING BASIC RESEARCH QUESTIONS

BASIC QUESTIONS:

MY BUSINESS/PRODUCT/SERVICE IS: _____

THE QUESTION I WANT TO ASK IS: _____

Basic Research Questions	Answers (to be filled in later)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

WHAT ARE THE QUESTIONS THAT I NEED ANSWERS TO?

- Write down some of the questions that you already know
- Have a brainstorming session to help you get direction for research

Suggestions of who to invite for brainstorming

- Friends/business colleagues
- Family members, if appropriate
- Potential customers/suppliers
- Volunteers, such as CESO counselors
- CASE counselor
- Ringer who is a creative thinker
- A facilitator (this is really important!!!!!!!!!!)

Types of questions that might be discussed in brainstorming...

- How could this product be used?
- Who would use it?
- Why would people use it, for what purposes?
- How could I produce it more cheaply?
- What would be the best location.?
- What would happen if?
- Could this be simplified by?
- What might go wrong?

Result of brainstorming

- Gives further questions for research
- Answers to some questions
- Can now form business proposition (hypothesis) to test through market research

Here is an example of a business idea/concept and some basic questions that might be considered.

For example:

- Less sales than expected, causing cash flow problems
- More sales than expected, causing supply and delivery problems, staff problems, as well as cash flow problems
- A new competitor, large or small, comes into your area
- Who will run your business if you become sick or disabled?

Build some flexibility into your plans so you have more than one way of fixing any problem.

Attach supporting documents where appropriate such as:

- personal resumes of owners and key employees
- personal net worth statements for each owner
- letters of reference
- letters of intent to purchase
- contracts
- copies of any applicable legal documents such as:
 - lease agreement
 - franchise agreement
 - partnership or shareholder agreements
 - signed contracts
 - articles of incorporation
 - business name registration
 - licenses and permits