

BUSINESS PLAN OUTLINE

EXECUTIVE SUMMARY

The purpose of the executive summary is to provide a quick and concise overview of the business. Although this section appears first, it should be written last. The summary should highlight key elements of the entire business plan, including:

- type of business industry
- form of business organization
- objectives of the business, via a Mission Statement clearly stating the business' purpose and values
- products or services, with emphasis on distinguishing features and the market needs they will meet
- registered patents or trademarks
- estimate of market potential and assessment of the competition
- identify the respective roles and experiences of each management team member
- how the products will be made or the services performed, and what they will do for the customer
- projected financial results
- funds invested in the business to date and additional financing required
- terms of repayment and general conditions of financing
- anticipated return on investment

A brief table of contents should precede the executive summary.

BACKGROUND

It is important to provide an overview of the business idea as well as an accounting of the following:

- business background (i.e. starting date, progress and success achieved thus far)
- principal products and services
- financing already sought
- current ownership structure of the company
- future objectives and strategy to achieve plan

THE INDUSTRY

In starting to understand the environment in which your business will operate, an examination of the industry is essential.

- prospects for the industry and total estimated industry sales (i.e. current, 5-year, 10-year outlook)
- general industry standards, benchmarks and performance requirements
- industry trends & major industry participants

MARKET ANALYSIS

A thorough research of the market is the most important part in the development of a business plan. Research will determine the expected size of the market for your business' products and services. As well, it will help to isolate a target market and the behaviours and habits of the people within this market

to better understand customer needs and expectations. The primary target market is analyzed by examining:

- critical needs
- extent to which those needs are currently being satisfied (i.e. by competitors)
- demographics
- geographic location
- seasonal or cyclical trends

Keying in on this target market, it is important to size the market and forecast potential market share that is expected for the current year, but also over the next five years.

By gathering information on historical development and growth will aid in assessing potential market opportunities for the future. Business success is determined by not only recognizing what “today’s” customers want, but also what “tomorrow’s” customers will need.

COMPETITIVE ANALYSIS

Investigate the competition. Understand which are direct and indirect competitors, with analysis of their pricing and promotional strategies, as well as an overall assessment of their competitive advantage. Based on this analysis, you can identify key obstacles for your business, the additional services you might offer, competitive challenges, as well as opportunities ahead. Examining the strengths and weaknesses in the following areas can develop an analysis of the competition:

- ability to satisfy customer needs
- market penetration
- track record and reputation
- price
- product quality
- staying power (i.e. financial resources)
- key personnel

Likewise it is useful to consider the various barriers to entry into your market that may include:

- cost (investment)
- time
- technology
- key personnel
- customer inertia (i.e. brand loyalty, existing relationships)
- existing patents and trademarks
- market position

MARKETING PLAN

The content of the marketing plan will serve to substantiate all financial projections and forecasts for the business.

Sales Strategy

Ensure that your sales targets & volumes make sense for the logistics of your business.

- discuss how and where you plan to sell and distribute your product or service
- examine what distribution channels will be used:
 - original manufacturers,
 - distributors
 - retailers
 - direct (i.e. mail order)
- determine if a direct sales force will be used

- how many will be required
- how will you find and attract good salespeople (internally or independent representatives)
- how will they be compensated (salary and/or commission)
- what education and experience will be required

Pricing

In structuring your own pricing plan, ensure that you have considered the following:

- competitor pricing
- direct/indirect costs
- prices you plan to charge, typical gross and net margins for each product and service
- credit arrangements, returns policy, etc.
- profitability
- financial justification
- customer needs
 - what they are willing or not willing to pay for
 - how they view additional features and benefits
 - what kind of cost savings might interest them

Advertising and Promotion

You must decide how you will generate awareness of your product or service among potential customers. Employing the following promotional activities could potentially generate awareness:

- public relations
- trade shows
- sales incentives
- promotional literature
- media
- personal selling
- Internet

Product

It is important to outline the unique ability of your company's products or services to satisfy the needs of the marketplace.

- specific benefits of product or service
- ability to meet needs
- competitive advantages
- description of product's or service's current position within its life cycle
- existing or pending copyrights or patents

MANAGEMENT AND OWNERSHIP

Your management team's skills and talents are among the few truly unique aspects of your company.

- explain management team organization (i.e. organization chart, if appropriate)
- detailed description of each member
 - name
 - position
 - primary responsibilities
 - previous experience (inclusion of resumes in an appendix may be useful)
 - unique skills and experience that add to your company's distinctive competencies
 - compensation (levels, benefits, incentives, bonuses, etc.)
 - describe legal ownership structure
 - corporation
 - partnership (i.e. general or limited)
 - sole proprietorship
- outline of Board structure (if applicable)

- ❑ names
- ❑ position on the Board
- ❑ extent of involvement with the company
- ❑ background
- ❑ contribution to company's success (i.e. historical and anticipated)

OPERATING PLAN

In describing the facilities, resources, and processes you plan on using to operate your business remember to consider the entire business process and how these factors will be incorporated into each.

- ❑ determining a physical location (advantages/disadvantages, traffic flow, zoning, parking, visibility, facilities and equipment, lease, buy, rent, size, physical condition,
- ❑ description of employees
 - ❑ full-time
 - ❑ part-time
 - ❑ contract or seasonal
 - ❑ union
 - ❑ non-union
 - ❑ inventory costing and control (i.e. suppliers, opening inventory requirements)
 - ❑ description of manufacturing process (if applicable)
 - ❑ plant overhead
 - ❑ labour and material cost and availability
 - ❑ transportation
 - ❑ proximity to customers and suppliers
 - ❑ taxes
 - ❑ municipal laws and regulations
 - ❑ utilities

FINANCIAL PLAN

The financial section of the business plan will help you and potential investors or financiers estimate how much money will be required as well as an estimation of sales with corresponding profit levels. This process will force you to think through the various scenarios that may arise through the course of business and the respective responses to each.

- ❑ Funding requirements (current and future) (Amount, Timing)
- ❑ Type (i.e. equity, debt, government assistance)
 - ❑ Terms
 - ❑ Use of funds
 - ❑ Capital expenditures
 - ❑ Working capital
 - ❑ Debt repayment
 - ❑ Acquisitions
- ❑ Financial statements (first year: monthly/quarterly)
 - ❑ Cash flow
 - ❑ Balance sheet (annually)
 - ❑ Income statement (annually)
 - ❑ Capital expenditure budget
- ❑ Financial statement analysis
 - ❑ Relevant ratio comparison
 - ❑ Break-even calculation

Throughout the financial plan, it is important to outline all assumptions that will be made pertaining to financial projections and forecasts. It is also very useful to include a sensitivity analysis for all forecasts

(i.e. 1. conservative 2. expected 3. optimistic) that shows that variances in projections have been considered and incorporated throughout the plan.

APPENDICES AND EXHIBITS

Separate from the body of your business plan it is important to include any other additional information that will help substantiate your business idea. This may include:

- Marketing studies
- Patent information
- Photographs or sketches of product/service
- Resumes of key managers
- References
- Contracts or other legal agreements (i.e. employment, lease, sales, purchases, insurance, partnership/shareholder)

BUSINESS PLAN OVERVIEW

The business plan should be prepared in a professional manner in consideration of the reader's reason for reviewing the plan. Therefore, the plan should be organized (i.e. table of contents) with easy to find sections and exhibits. After you have completed the plan, it would be very useful to have others (i.e. Business Enterprise Centre consultants, other consultants, accountant, lawyer, fellow entrepreneurs, etc.) experience review the plan prior to forwarding the plan to potential lenders or investors. In light of the confidentiality of the content contained within the business plan, it is important to carefully control its distribution.

Business Plan Completion Checklist

BUSINESS INFORMATION PAGE

- Company Name, Address, Phone Number, Fax Number
- Date of Registration, Form of Ownership, Principals,
- Management Team: (lawyer, accountant, financial advisor, etc.)

BUSINESS DESCRIPTION

- Identity statement, Statement of Objectives

THE PRODUCT/SERVICE

- Uniqueness
- Features, advantages and benefits
- Research and Development
- Expansion plans
- Proprietary position (patents, copyrights, franchises, exclusivity of distribution, long lead times, high cost of capital equipment, unique processing methods/design)

MARKET SURVEY

- Market description, Market size, Market trends, Target market, Competition

MARKET STRATEGY

- Customer Identification, Marketing channels, Market segments

SELLING PLAN

- Advertising, Advertising budget, Selling terms

PRODUCT COSTING

- Mark-ups and gross margins, Fixed and variable costs

SUPPLIERS

- Principal suppliers, Alternative suppliers

OPERATING REQUIREMENTS

- Regulatory requirements/licenses/insurance
- Business requirements for the premises
- Other special requirements
- Major expenditures

PERSONNEL

- Number of employees, Special skills requirements, Employee benefits, Government programs

FINANCIAL

- Cash equity contribution, Additional funding requirements, Government assistance programs
projected financial statements

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