

# The Business Plan and You

## BUSINESS START-UP

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## A Sample Business Plan Outline

### 1. Cover Sheet

- a) Include your name, address, phone and fax number.
- b) Name the key players of the operation.
- c) Date the report.

### 2. Executive Summary

*\* This section should be written last.*

- a) Give a *brief* summary of what you will cover in this plan.
  - Provide an enthusiastic snapshot of your company detailing who you are, the mission and vision of your business, what you do, and why. (History)
  - Briefly touch on what your product/service is.
  - Discuss the goals and objectives of this venture.
- b) Outline the amount of funding you will require and how you will use it.

*\* The purpose of the executive summary is to give the reader a basic understanding of your business and have them eager to learn more about it.*

### 3. Table of Contents

- a) Show an outline of what is to follow in the next pages.

### 4. History

- a) Give background information about the business or how the business evolved.
- b) Give background information about the product and/or service, and how they evolved.
- c) Detail all successes of the business, including the experiences that have contributed to that success.
- d) Describe the corporate structure, that is, the sole ownership, partnership, limited partnership, etc. of the business and how it came to be.

### 5. Mission Statement

- a) Your *Mission Statement*. This is a short paragraph or statement that communicates what your business does and its core values. Try to make it simple and easy to understand, so anybody who reads it can have a clear idea of what your business is about.
- b) Outline the direction/vision of growth for this business. The vision is the long term goal of your business, so it is what your business wants to achieve within a specific long period of time.
- c) Outline how your products and/or services differ from those already in existence.

## 6. Industry Overview

- a) Include an analysis of the industry and economy that you are operating in, along with a description of current trends and industry characteristics. In order to guide the analysis of your industry, you can use a model such as the five forces (Porter, 1979). This model analyses the attractiveness of an industry by reviewing its five most important forces that may affect your company. (*Refer to the appendix*)
- b) Demonstrate how the overall business and/or consumer trends would affect your business prospects; positively or negatively. This can include analyses on:
  - Social Change
  - Economic Change
  - Demographic Change
  - Environmental Change
  - Technological Change
  - Political Change
- c) Provide insight on the past, present, and future of industry trends.
- d) Include a SWOT Analysis to address the issues of competition; describe what makes you competitive. The SWOT analysis is a method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats of a project or business. Do not forget your online competitors, both locally and globally. (*Refer to appendix*)
- e) What are your business' key success factors in your industry?

## 7. Description of Products and Services

- a) Describe your product and/or service and detail the features that make your product/service unique.
- b) Describe the value added features and their benefits.
- c) How is your product/service positioned in the market against the competition; what are you doing differently.
- d) Discuss the status of research and development for the product or service.
- e) Include any copyrights, patents, trademarks and other intellectual property, certification numbers and documents that pertain to the definition of ownership of the products and/or services.
- f) Include photos, schematics, sketches, blueprints, technical data and information if applicable.

## 8. Marketing

- a) Describe your target market; include demographic profiles, tastes and preferences, the geographic location, economic trends, and projection in the growth of the market.
- b) Research and include a market share analysis. Show how your business will affect the market and how much of that market you can reasonably capture. Indicate how you intend to capture this market share, consider promoting and selling your products and/or services online.
- c) Define your basic business strategy which could be differentiation or cost leadership

- d) Define your value proposition. This is the concept and value that your business is offering to your customers through its products or services.
- e) The 4 P's of Marketing:
  1. **Promotional Strategy:** Plan the type of marketing and advertising you intend to carry out in order to communicate your value proposition. Include information about both your offline and online promotional tactics. Consider the characteristics of your target market and your business strategy when you are defining your promotional strategies.
  2. **Place:** Describe how and where you plan to sell your products/services; relate back to your market research to determine your customers' preference for location.
  3. **Pricing:** Discuss your pricing scheme and how it was determined.
  4. **Product:** Describe how you plan to deliver your products/services.

## 9. e-Business

- a) Plan how you will be using e-business to increase efficiencies in your business processes. E-mail can be used to communicate with customers, suppliers and partners. E-procurement can simplify the buying process through online marketplaces, portals or exchanges.
- b) Address your Internet marketing strategy. Identify how you will target your online customers, what products and/or service you will offer online, explain your online pricing structure and how you will deliver your products and/or services.
- c) Identify what type of commitment will be required and allocate responsibility in terms of investment, time, and staffing.
- d) Establish how you will measure success and return on investment (ROI). You can track online sales, or online visitors etc.
- e) Ensure that the online and offline elements of your business plan are well integrated.

## 10. Management, Ownership, and Organization

- f) Show the ownership of the business in terms of the partners' individual shares and contributions to the business.
- g) Report channels of direction from management or use organizational hierarchy. For example, list the "decision makers" and the "action takers" and their place in the business structure. You may also consider including an *organization chart* and brief resumes of the managerial team.
- h) Summarize important employee regulations and policies. Details and examples of such policies may be included in the appendices.

## 11. Objectives and Goals

- a) Forecast your revenues and expenses for the next two years by month, and the next three years annually. Determine a financial plan in terms of the source and the use of the funds.
- b) Draft a plan for strategic marketing and what type of audience you will target for future expansion and what methods you will use to reach your target audience.

- c) Define the areas for potential growth. Explore the different avenues of manufacturing, exporting, wide area distribution, e-procurement etc. Include plans of improving the quality of the products presently offered. Include goals of quality assurances on products, gaining certification of standards, etc.

## 12. Financial Projections

- For a New Business
  - Estimate of start-up costs and investments.
  - Projected balance sheet (1 year forward).
  - Projected income statement (1 year forward).
  - Projected cash flow statement (12 months forward).
  
- For an Existing Business
  - Balance sheets (last 3 years).
  - Income statements (last 3 years),
  - Cash flow statements (12 months),
- If applying for a Loan (in addition to the above)
  - Consult with the financial institution on what their requirements are.

## 13. Appendices

- a) Include the financial information for the last 3-5 years. This may be beneficial in demonstrating prior experience in financial management.
- b) Provide rationale behind all assumptions made throughout the business plan.
- c) Enclose any pictures, sample web pages, graphics, and graphs detailing the projection of growth.
- d) Include any testimonials, letters of accomplishment for the product or service.

## **Some Valuable Tips**

- a) Limit the plan to 20-25 pages.
- b) Avoid using jargon or technical terminology.
- c) Keep it professional, not extravagant or fancy.
- d) Maintain the focus of presenting the proposal and the need for this business, avoid “making the sales pitch’ to your reader.
- e) Be realistic in your goals and objectives, results, growth potential, etc.
- f) Address the issue of competition and their hold on the market.
- g) Be flexible in your strategies and marketing...not everyone will think you have the idea of the century.
- h) Do not bombard the plan with financial statements...other aspects are equally important.
- i) Assumptions do not equate projections, if you make an assumption, back it up and be realistic.
- j) Do not hide the risks, negatives, pitfalls of the venture, present them professionally and find solutions and ways of dealing with these problems should they arise, before they arise.

## **Remember...**

**No one plans to fail, they fail to plan.**

## Sample Start-Up Costs and Investments

*\*May not reflect your exact situation; use as a reference*

### 1. Furniture and Fixtures

a)	_____	_____	
b)	_____	_____	
c)	_____	_____	
d)	_____	_____	
		Total	_____

### 2. Leasehold Improvements

Total	_____
-------	-------

### 3. Equipment

a)	_____	_____	
b)	_____	_____	
c)	_____	_____	
d)	_____	_____	
		Total	_____

### 4. Vehicles

Total	_____
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### 5. Security Deposits

a)	_____	_____	
b)	_____	_____	
c)	_____	_____	
		Total	_____

**6. e-Business Costs**

Web Programmer	_____	
Designer Fees	_____	
Hosting Fees	_____	
Software	_____	
Payment Gateway Fees	_____	
Internet Merchant Account Fees	_____	
Other	_____	
	<b>Total</b>	_____

**7. Other Costs**

Incorporation Costs	_____	
Accounting Costs	_____	
Pre-opening Advertising	_____	
Pre-opening Travel	_____	
Pre-opening Wages	_____	
Pre-opening Supplies	_____	
License	_____	
Insurance	_____	
Opening Inventory	_____	
Operating Loan	_____	
	<b>Total</b>	_____

## Explanation of Start-Up Costs

1. To differentiate between start-up costs and operating costs, simply determine the exact date you will open. Any expenditure before this date is a start-up; anything after is an operating cost.

Be sure you are only counting actual expenditures in start-up costs (i.e.) items you actually pay for. Do not include your own equipment, tools, etc. that you already own. You are not paying for these. Similarly, your work should not be counted as a cost since you are not actually taking money out of your pocket to pay for yourself. These and similar items will be accounted for in the balance sheet as part of your investment in the business. Count actual expenditures.

2. Start-up costs plus the operating costs (i.e. The amounts necessary to account for negative cash flow) added together will be the total amount required to operate the business. You will also add a cushion to allow for variations in your estimates and any costs you've overlooked. There is no formula for this cushion.
3. The terms are as follows:
  - a) Furniture & Fixtures: all office and store furniture (tables, chairs, etc.) Plus the fixtures necessary for your business such as shelves, wall brackets, racks, etc.
  - b) Leasehold Improvements: includes any money spent on the operating site on items you cannot take with you when you leave such as painting, carpet, extra bathroom, exits, etc.
  - c) Equipment: all machinery involved in your business, (i.e. all machines used in manufacturing, cash registers, cleaning equipment, computers, etc.)
  - d) Vehicles: the cars, trucks, etc. for your business.
  - e) Security Deposits: in reaching agreements, you will likely be required to put some money up in advance. These may include:
    - Lease deposits: (i.e. on equipment or vehicles);
    - Utilities: telephone, gas, light, water;
    - Rent: often first month and last two.

Note: You can acquire these figures by actually talking to the people involved. Ask them what the deposit is.

- f) Incorporation costs: talk to your lawyer about this.
- g) Accounting costs: ask an accountant to set up your books; what records you should be keeping, so that he/she can do the job for you.
- h) Pre-opening advertising: any expenditures to promote your business including catalogues, printing of brochures, ads paid before opening, etc.

- i) E-business costs: any money spend on an Internet service provider, web site design and programming, web hosting, software, Internet merchant accounts and payment gateways etc.
  - j) Pre-opening wages: money spent to pay people for such items as stocking your shelves, pre-opening production, training
  - k) Pre-opening supplies: include your office supplies such as stationary, letterhead costs, etc., and your plant supplies such as bags, wrapping paper, tape, etc.
  - l) Pre-opening travel: include trips to suppliers, trade shows, pre-opening sales, etc.
  - m) Licenses: call the appropriate departments to find out costs.
  - n) Insurance: talk to an insurance broker for advice on what insurance you should carry. It varies according to the type of business you operate.
  - o) Opening inventory: the goods you purchase for store opening. Do not skimp on this. If you are under stocked, you will give a bad first impression, which can seriously damage future sales.
  - p) Operating loan: this will be determined after you've done your cash flow statements.
4. Rent - be sure you get the accurate figure.
- a) Rent is often quoted as a cost per square foot (or meter), i.e. \$10.00 per square foot. This is for the year, thus a 2000 square foot bay at \$10.00 per square foot means \$20,000.00 per year. Your monthly rent is this figure divided by 12.
  - b) Ask if the quoted figure is gross or net. Gross means that all costs are included in the figure. You Do not pay any more. Net means that there will be other costs.
  - c) Quotes are often given as "net", "double net", "triple net". Rather than trying to figure out what these terms mean, simply ask: "What are all my operating costs?" These might include paying your portion of the property tax, insurance, common utilities, snow removal, etc.
- Be sure to get the total figure.
5. Consider the option of leasing. It's not the case that you must always own the equipment or vehicles you use. Run your numbers both ways - purchase or lease -to see if one method represents and advantage.
6. Look for second-hand items. Often there is good quality second-hand equipment that represents a considerable savings to you.
7. Check out all regulations that relate to your business. There may be health requirements that require certain equipment (such as sneeze guards over salad bars), pollution and noise controls, etc. These regulations will have an impact on your costs if you are required to meet certain standards.

Essentially, the appendix form outlines month-by-month projections of:

- Sales: probably the only “income” for your business. The marketing section of your Business Plan will help you to figure out your sales projection.
- Cost of sales: the total cost to you to purchase and transport goods, materials and so on;
- Gross margin: “sales” less “cost of sales”;
- Expenses\*: - fixed: such as rent, insurance, licenses;  
- variable: such as labor, delivery costs, utilities, advertising;
- Net profit/loss: your “gross margin” less total expenses - that is, your monthly “bottom-line”.

Alternatively, you can determine your profit requirement for the next twelve months and work the budget backwards. “In order to make X dollars, I’ll have to sell such and such volume of product or services”.

\*Many businesses use the “Expense and Allowances” categories included in the Revenue Canada form “Statement of Business Income and Expenses”.

In conclusion, your business plan is a road map to guide you through the ever-changing road of your business. With some good planning and thought, your business can start off on a positive note and your business plan can be referred to and revised to keep your goals and dreams on track.

**Appendix:**

**Budget: Projected Sales, Expenses and Profits**  
Months (of Fiscal Year)

	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Sales													
Cost of Sales													
Gross Margin													
Variable Expenses:													
- Salaries													
- Payroll Taxes													
- Advertising													
- Automobile													
- Dues and Subscriptions													
- Layout and Design													
- Supplies													
- Utilities													
- Miscellaneous													
Total Variable													
Fixed Expenses:													
- Depreciation													
- Insurance													
- Rent													
- Taxes and Licenses													
- Interest Only													
Total Fixed Expenses													
Total Expenses													
Net Profit (Loss)													

## **SWOT Analysis**

A key section of a business plan is the SWOT Analysis. The **SWOT analysis** is an essential strategic planning tool and its intent is to help clarify the main goals of the business or project, as well as to determining what internal and external factors will constitute an advantage or a challenge in achieving those goals.

The components of the SWOT analysis are described as follows:

- **Strengths:** attributes WITHIN the company that are helpful to achieving the objective(s).
- **Weaknesses:** attributes WITHIN the company that are harmful or can be improved to achieve the objective(s).
- **Opportunities:** factors in the EXTERNAL environment that can help achieving the objective(s).
- **Threats:** factors in the EXTERNAL environment which could deter the company in achieving its objective(s).

Attributes that could be considered when working on the Internal Analysis:

- Company culture
- Key capabilities of staff
- Access to financial resources
- Patents, trademarks, licenses
- Efficiency in manufacturing processes
- Market share

Attributes that could be considered when working on the External Analysis:

- Market trends
- Number/weaknesses of competitors
- Suppliers
- Social changes
- Economic environment

## **Five Forces Analysis:**

This is a model developed by University of Harvard's Professor Michael Porter and is used to determine the influence that different factors (forces) have in the industry. This analysis will give you an idea of how attractive and competitive a given industry might be. The five forces proposed by Porter are:

- **Bargaining power of suppliers:** This relate to the influence and power that suppliers have over any given industry. Doing business in an industry with very few and powerful suppliers might be difficult.
- **Bargaining power of Buyers:** This force relates to the influence and power that buyers have over any given industry. If there are few and powerful customers in an industry, or if the sales of the companies in that industry are relying on very few customers, then the overall attractiveness of the industry is affected.
- **Threat of new entrants:** This force analyzes the likelihood of having new companies entering the industry. This force also analyses if there are some type of barriers that prevent the entrance of new companies. In general, industries that have several new entrants are very competitive and less attractive, so companies may need to work more in differentiation to

succeed there.

- Threat of substitutes: This force analyses the possibility of having substitutes for the products or services that are currently offered. Industries that are exposed to the constant presence of substitutes are very risky and less attractive
- Competitive rivalry in the Industry: This force analyses the level of competition of a given industry, such as the number of competitors, competitive practices, etc. Industries that have several competitors and hard practices such as price wars are generally less attractive.