# BUSINESS PLAN

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**HOW TO PRINT THESE INSTRUCTIONS**

**FINANCIAL PLAN (EXCEL SPREADSHEET)**
Description of the Business

Doors to the World manufactures custom wooden doors and windows, primarily for residential construction. Doors (solid wood, wood/glass or wood/brass) account for 90% of gross sales while wood-frame windows account for 10%. Our products are sold to Southern Ontario retailers with an increasing portion going to exports. The company started by selling to the new home market in 1988 but in response to changes in the marketplace is now a leading supplier for the up-scale renovation market.

Major demographic, economic, social and cultural Factors

Our products fit well into overall social and economic trends. Renovation investment has continued to increase as the population ages: people tend to stay more at home and invest in their comfort (cocooning). In addition, our market niche is fairly well protected against fluctuations in the real estate market: high-quality doors and windows add both resale value and comfort. In 2001, renovation and alterations accounted for 38.7% of household dollars and additions accounted for 24.7%. Further, the appeal of wood, a natural product, remains strong in today's markets. Its warmth, solid look and silky feel are intangible factors favouring our specialized products.

Major Players

The manufacturing of custom wooden doors and windows is very concentrated, with a few manufacturers occupying 75% of the market.

However, the renovation and construction markets have traditionally been very fragmented, with a large number of small operators, both for clients and suppliers. There are three major distributors in Ontario: Beaver Lumber, Cashway and Castle Building, which together have more than 200 outlets. They purchase large quantities for their network.

Home renovation mega-stores (Home Depot, for example) have made steady progress into the market, especially in larger urban areas.
Nature of the Industry
The millwork industry is stable and mature. Manufacturers produce a wide range of fabricated millwork, including wood millwork commodities with metal and plastic overlays. Within the industry, in terms of value, doors (30%) represent the largest segment followed by windows (including wood, aluminum, metal and vinyl clad, 25%).

The niche market is significant, representing 25% of all sales.

Trends in the Industry
While the millwork industry generally follows fluctuations in new home construction, repair and remodelling investment remains steady. The market for custom products such as those from Doors to the World tends to be better protected from fluctuations.

Government Regulation
There are no significant regulations for this industry.

THE MARKET

Market Segment
The repair and remodelling segment has become the most important market for millwork products with a value of $12.8 billion CAN (2001 Statistics Canada data) of which $1.2 billion was spent on windows and door replacement and additions. Together, the provinces of British Columbia, Quebec and Ontario represent 87% of the Canadian total, and the U.S. market is approximately 10 times this value.

Products & Services
Doors to the World provides superior quality custom-made doors and windows with unique glass carvings and brass inlays. Our products target the mid-to-high-end of the market.

In Canada, Doors to the World has competition for doors from small artisan door makers. In windows, competition comes from aluminum/vinyl clad and solid vinyl makers. With the advent of superstores, Doors to the World must compete for floor space and point-of-sale advertising.

Pricing and Distribution
Compared to its competitors, our pricing is in the top 30% of the industry. Products are available through standard retailers in the industry and to superstore renovation outlets. Doors to the World delivers to the retailers’ central warehouses, thus capitalizing on existing distribution channels. Marketing efforts are
concentrated in Ontario, Quebec and New York State. Presently 30% of the company's sales are made to retailers in New York State.

Market Trends
In 2011 (latest statistics available), 3 out of 4 households spent money on renovation; this percentage has been fairly constant since 1989. Customers have become increasingly sophisticated and seeking higher-quality materials and workmanship.

The demand for interior doors is expected to increase over the next five years as the renovation market continues to grow. Wooden doors in particular are forecast to see fast growth, especially in the U.S. where construction and renovation is becoming more upscale and houses larger.

Implications or Risk Factors
Doors to the World now relies more heavily on consumer purchases than sales to contractors, which has changed our marketing strategy. Doors to the World continues to rely on its basic strengths, which are:
- superior quality products;
- unique glass carvings and brass inlays.
- Excellent service;
- customized "made to order" fit; and
- access to distribution networks
- price advantage compared with U.S. products

Planned Response
Our marketing approach has shifted to address the mid to high-end customer with a concentration on large-surface retailers and export markets. We have increased retailers distribution, new point-of-sale displays, promotional literature, and customer satisfaction surveys.

The emphasis will be on our products' quality over mass-manufactured goods, and our focus remains on the renovation market. Our price advantage over U.S. products positions us extremely favourably for exporting, and the absence of significant competitors in other provinces makes can facilitate expansion there.

THE COMPETITION

Competitors and type of Competition
There are three major Canadian manufacturers serving approximately 75% of the doors and windows segment: Premdor, Hunt Windows and Doors, and Pella Windows. Several local operations make up the balance of the local marketplace with competition arising from artisan door makers.
**Competitors’ Strengths and Weaknesses**

Major strengths of large competitors lie in the economies of scale given by their broad brush approach to the marketplace. The large size of these companies allows them better access to retailers across Canada. Both Hunt and Pella Windows concentrate their efforts in aluminum and vinyl windows, and are not positioned to enter the wood-framed market without significant investment and re-tooling. They also offer doors but only as an add-on to fill orders from their regular customers.

Premdor has decided to concentrate on the manufacture of plain interior doors but has also entered into an agreement with a U.S. company to distribute their French doors in the Canadian market. Although their doors are of lower quality and lack our unique glass carvings and brass inlays, they represent a significant threat to our products, especially in the superstore market.

Local artisans’ products are most similar to ours, and while they generally have close relationships with architects and local builders, they are unable to supply the larger retailers because of their size and more specialized nature of their products.

**Competitive Advantage**

Doors to the World's advantage resides in its niche: we are big enough to supply large retailers, yet offer high-quality wood products that respond directly to the tastes of the mid to high-end market segment. Even Premdor's higher quality products do not match our custom glass carvings and brass inlays, and the "one-size-fits-all" approach of the competition allows ample room for smaller specialized competitors such as Doors to the World to thrive. We intend to continue positioning our products in the higher end of the market.

In superstores, where our products are at the greatest disadvantage beside Premdor’s, our point-of-sale marketing efforts (“Feel the Difference” series) have paid off and our sales remain strong.
## Customers

<table>
<thead>
<tr>
<th>NAME \ ADDRESS</th>
<th>TERMS</th>
<th>PRODUCT / SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Otter Lumber 12312 Oak Road</td>
<td>60 days</td>
<td>General renovation &amp; repair material</td>
</tr>
<tr>
<td>Woodstock, Ontario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Cabin Depot Superstore 678</td>
<td>90 days</td>
<td>General renovation &amp; repair material</td>
</tr>
<tr>
<td>Shack Drive Boisjoly, Québec</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 New England Builders 432 Elm</td>
<td>90 days</td>
<td>General renovation &amp; repair material</td>
</tr>
<tr>
<td>Street Roxborough, NY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Spearhead Builders 3210 United</td>
<td>30 days</td>
<td>General renovation &amp; repair material</td>
</tr>
<tr>
<td>Way Jones, NY</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ADDITIONAL INFORMATION**
The purchasing decision for Doors to the World's products rests with the individual homeowner or the local renovation contractor. We have moved from supplying contractors; we now sell the products to retailers. This improves access to our customers, allows us to better assess and satisfy their needs, and allows us to compete easily in the superstore market.

## Suppliers

<table>
<thead>
<tr>
<th>NAME \ ADDRESS</th>
<th>TERMS</th>
<th>PRODUCT / SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sticks &amp; Stones 321 Brampton</td>
<td>60 days</td>
<td>Pre-cut lumber</td>
</tr>
<tr>
<td>Cres. Boulder, Ontario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 MacMillan Bloedel 72 Clearcut</td>
<td>45 days</td>
<td>Pre-cut lumber</td>
</tr>
<tr>
<td>Way Mississauga, Ontario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Glass Houses, Inc. 20302</td>
<td>30 days</td>
<td>Glass inlays</td>
</tr>
<tr>
<td>Stonesthrow Drive Toronto,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ontario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Hollander Co. 193 Golden Rd</td>
<td>30 days</td>
<td>Brass inlays</td>
</tr>
<tr>
<td>Coquitlam, B.C.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 The Finish Line 1773 Oak Lane</td>
<td>30 days</td>
<td>Wood stain</td>
</tr>
<tr>
<td>Ajax, Ontario</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ADDITIONAL INFORMATION**
Doors to the World's production process uses primarily pre-cut, semi-finished components which are readily available on the market from numerous sources. This flexibility enables us to obtain products that meet our exact requirements at very competitive prices.
Advertising & Promotion
Communications efforts consist mainly of co-op flyers, retail point of sales signage and displays, product brochures and word of mouth. Direct-to-customer advertising is rare in this industry, and aside from customer satisfaction surveys, none is planned.

Pricing & Distribution
Doors (French and panel) are sold to three Canadian retailers as well as to two regional U.S. retailers in New York State. Thus we take advantage of their distribution channels by delivering larger quantities to central warehouses. Pricing is in the top third of the market.

Customer Service Policy
Customer service is enhanced by a website and 1-800 inquiry line, quarterly meetings with main distributors, and unique product packaging which includes customer feedback surveys.
Location

Size and Capacity
The 6,000 square foot building houses two production lines: doors and windows. Only 10% of the building is used as office space. We are planning to add a 4,000 square foot addition to this building for which we already have a municipal permit.

Advantages or Disadvantages
The facilities are conveniently located close to the central warehousing of the Canadian retailers. However, with the change in market focus to consumers and retailers, the building lacks display/sales space. The planned addition would allow us to almost double our plant facilities to meet increased production.

Lease or Ownership Details
Building was purchased by the company in 2008 for $587,000.

Equipment, Furniture & Fixtures
Wood finishing and glass etching machinery is used but most of the equipment is for the assembly process (routers, lathes, etc). The average age of the equipment is approximately 12 years, which is perfectly acceptable. We outsource computer-assisted design for glass etchings.

Future Expenditures / Technology Requirements
While functional for today's sales levels, new equipment will be required to incorporate the company's growth. $50,000 has been earmarked for equipment expansion to add a new production line to the plant.

Research and Development
Our R & D efforts have centered on market studies and consumers, determining changes in their tastes and buying habits and responding to them.

Environmental Compliance
Most of our activities consist of assembly work. Only the staining process is subject to environmental regulations, where we fully comply with used material disposal regulations. We have instigated a strict recycling program with a local waste management company.
### Additional Information

There is an underground storage tank on the premises that was used to store fuel by the previous owners of the building. This tank is empty and has never been used by Doors to the World.
Key Employees

<table>
<thead>
<tr>
<th>NAME OR TITLE (Nº OF POSITIONS)</th>
<th>KEY RESPONSIBILITIES</th>
<th>QUALIFICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Assembler (4)</td>
<td>Cutting, sanding, glass insertion, carving</td>
<td>Machine operations, reliability</td>
</tr>
<tr>
<td>2 General maintenance &amp; receiver/shipper (1)</td>
<td>Reception &amp; shipping, repairs</td>
<td>Low skills, reliability</td>
</tr>
<tr>
<td>3 Production Manager (1)</td>
<td>Floor manager + assistant for more complex processes</td>
<td>Technical knowledge, people &amp; process management</td>
</tr>
<tr>
<td>4 Office assistant (1)</td>
<td>Administration, book-keeping, support</td>
<td>Office / organizational skills</td>
</tr>
</tbody>
</table>

ADDITIONAL INFORMATION
The company plans to add another full-time assembler and a part-time draftsperson with computer skills for CAD as a direct result of the expansion plan.

POLICIES AND PROCEDURES

Hours of Operations
8AM-5PM, usually 5 days/week, sometimes 6

Number of Employees
7 full-time and 2 principals

Vacation Program
Each employee has a 2-week vacation yearly. Plant is closed 1 week at Christmas.

Performance Assessment
Performance assessment is done yearly in mid-January. Productivity and quality are our two main criteria.
Training & Development

Presently most of the company’s training is done in-house with plant employees. Management employees are presently undergoing total quality management training. ISO 9000 certification and more training is planned as a response to increased customer pressure for assured quality control.

Remuneration and Benefits

Benefits and salaries are comparable to those in the industry and overtime hours are sometimes required. A profit sharing incentive plan is planned for the future.
## Action Plan

<table>
<thead>
<tr>
<th>ACTION</th>
<th>BY WHEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop sales support material for the trade</td>
<td>March 2016</td>
</tr>
<tr>
<td>Ensure participation at National Home &amp; Renovation Show</td>
<td>September 2016 + following months</td>
</tr>
<tr>
<td>Hire draftsperson with creative skills</td>
<td>June 2016</td>
</tr>
<tr>
<td>Sign retail agreements with 3 major retailers</td>
<td>Fall 2016</td>
</tr>
<tr>
<td>Implement ISO 9000 standards &amp; make it known to clients, etc.</td>
<td>March 2017</td>
</tr>
<tr>
<td>Sign distribution agreement &amp; negotiate shipping for the States</td>
<td>April 2017</td>
</tr>
<tr>
<td>Measure potential &amp; test entry strategy in B.C. &amp; Eastern Quebec</td>
<td>If potential, March 2017</td>
</tr>
</tbody>
</table>

### ADDITIONAL INFORMATION

For the coming 2-3 years, all our major activities involve market development or product launching.
Objectives / Description of the Project

Our general goal over the next 5 years is to increase sales, primarily in the export market (New England) and in other provinces (Eastern Quebec & British Columbia). The ultimate goal is to achieve 50% of gross sales from exports while developing domestic sales.

Business History / Nature of Operations

The business started operations in 1987 as a partnership, owned by two brothers (Jonathan and David Wright). At the start, the company made wooden doors and windows for the local new home market, and customers consisted of local residential construction companies. After having received several requests for custom made french doors, we decided to allocate further resources to meet this demand. As this market grew and conditions in the new home market deteriorated, this segment became the major part of operations, now accounting for 90% of sales.

Products and Services

Doors to the World manufactures custom wooden doors and windows for the residential construction and remodelling industry. Our windows and doors are inlaid with fine glass etchings and brass inlays and target the mid to high-end segment of the market.

Project Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct building addition</td>
<td>$250,000</td>
</tr>
<tr>
<td>Purchase new equipment</td>
<td>50,000</td>
</tr>
<tr>
<td>Total required</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

Management / Advisors

Director 1

Jonathan Wright, President (70% ownership)
41 years old. Over 20 years’ experience with the construction industry, 12 as an independent contractor. Main responsibilities: marketing, business planning & financial operations.

Director 2

David Wright, Corporate Secretary (30% ownership)
38 yrs. BA Univ. of Western Ontario, plus 11 years’ experience with building supplies firms. Main responsibilities: production scheduling, purchasing, sales invoicing & office management.
Risk Assessment & Contingency Plan

We plan to finance our expansion in the US although alliances with local partners will be sought if necessary.

We have already begun talks with distributors in the US, but if sales targets are not met, our option is to sell back the proposed equipment to the supplier so that we can meet the loss that will be incurred. The building addition adds value to our property.

Financial Institution
Name: Royal Bank
Branch: Milton
Transit Number: 023 98765 110

Address: 1999 Main St.
City: Milton
Province: Ontario
Postal Code: N7M 4J2
Telephone: 618-555-4000
Fax: 618-555-4020
Name & Title of Contact: Doug William, Branch Manager

Supporting Documents

This business plan was prepared by Ms. Elaine Struthers, Management Consultant