

## Ignite Fredericton Business Plan Guide

The following is a Business Plan guide which is designed to help you put together a comprehensive, strategic and effective blueprint for your business. It should be noted that no two business plans are alike and some plans may not need as much information as others. This being said, **make your plan, your own**. This is simply a guide to help cover the basics of a Business Plan.

### Overview

It takes a lot of work and research to prepare a good business plan. An accountant can be very helpful in preparing the numbers and financial reports, and a marketer can be key in defining markets. However, **you** must be intimately familiar with the source of every detail of the entire business plan. The investor does not expect you to be an expert in all fields; *however, he/she does expect you and your management team to have answers to all of their questions*. **Remember that you are writing this plan for financial partners as a step by step guide to launching your business, and for you as a TEST of your business idea**. Do not just quote facts and state findings, let the investor know why these points are important. Bear in mind that statements made in the business plan should be substantiated as much as possible and that overly optimistic projections can raise many questions. When writing your business plan use available resources such as the Canada Business Network (<http://www.canadabusiness.ca/eng/>) to view sample plans and research your information.

### Things to Remember When Putting Together a Business Plan

- Keep the plan as short as possible without compromising the description of your venture and its potential.
- Don't over-diversify your venture. Focus your attention on one or two services or product lines and markets.
- Don't have unnamed, mysterious people on your management team, such as Mr. P. who will join you later as a financial Vice-President.
- Don't describe technical products or manufacturing processes in terms that only an expert can understand.
- Don't estimate your sales on the basis of plant capacity. Estimate your potential sales carefully on the basis of your market study.
- Don't make ambiguous, vague or unsubstantiated statements.
- Disclose and discuss any current or potential problems in your venture.
- Involve all of your management team, as well as any special or legal, accounting or financial help, in the preparation of the business plan.
- Don't overstate or inflate revenue and accomplishments.

Remember to also look objectively at the down side of your business' market potential, revenue potential, expenses, etc. This will give you a more realistic look at your business plan.

**There are 9 key sections in an effective business plan:**

- 1) Cover Page
- 2) Table of Contents
- 3) Executive Summary
- 4) Industry Description
- 5) Business Description
- 6) Opportunities
- 7) Production Plan
- 8) Marketing Plan
- 9) Financials

**1) Cover Page**

Your cover page introduces your company and your business idea. It should include the following:

- The legal name of your business
- The date your plan was prepared or modified
- Contact information of the person or persons who prepared the plan (name, address, phone/fax numbers and email addresses)
- Any necessary notices (confidential, private etc.)
- If applicable, your business official trademark, or logo and your business website address

**2) Table of Contents**

Your business plan should be clearly laid out and easy to use, so it's a good idea to include a full table of contents listing all key sections, and number all document pages. This makes it fast and easy for readers to access the sections they want.

**3) The Executive Summary**

While the Executive Summary is the first part of any business plan that a reader sees, you may want to write it last. Leaving it until the end will allow you to better focus, refine and polish your key messages after you have finished the bulk of the work.

The Executive Summary allows the company to tell its story without disclosing detailed information. It is brief (one to two pages max) and should pique the reader's interest to want to continue reading the plan. If your Executive Summary has done its job, the reader will be intrigued and will want to continue reading to get the full story of your business idea.

Some key areas that should be addressed in your Executive Summary are:

- Introduce your business – what your business is, what it does, how it does it, who manages it, the location, and its market and competition.
- Provide a mission statement and vision statement which outline what your goals are, and where you want to be in 5 years.
- For potential investors:
  - State if the business is a sole proprietorship, partnership or a corporation
  - Indicate the business opportunity, expected growth rate and potential return on investment

- Be open about the total financial requirements of the business, funding sources, and indicate repayment schedules
- Give brief outlines of your operational and marketing plan

It should be noted that the full details of growth rate, return on investment, financial requirements and funding sources will be explained in the business plan, you simply want to outline what will be presented later in the plan.

#### **4) Industry Description**

This is where your in-depth research and understanding of your industry will be showcased. Within the detailed description of what your industry looks like right now you should include the following:

- The size of your industry and how many sectors it includes
- Key information on industry markets, demographics and niche areas
- Who the major players are in your industry (your competition)
- If applicable, the suppliers and distributors in your industry
- Key industry and economic trends affecting your industry
- Any social, cultural, environmental or geographical factors that may impact your industry
- What certifications, insurance and industry regulations are required
- An outline of government regulations affecting your industry
- The overall growth potential of your industry

Now you can demonstrate that you've analyzed the risks and know where your business fits in the industry. Points to cover should include:

- What sector of the industry you plan to enter or expand to
- What will distinguish you from any competition in the area (your competitive edge)
- Who your direct and indirect competitors are and their anticipated reactions to your new enterprise
- A detailed analysis of any potential risks or obstacles

You may also want to identify any weak links and/or difficult issues and include any appropriate contingency plans in your industry description.

#### **5) Business Description**

In this section of your business plan, you describe your business and explain why investors and lenders should be interested in getting involved in your business idea.

Here is where you will provide more details from what has been indicated in the Executive Summary. You will want to elaborate on:

- Your product and/or service
- Your facilities and assets
- The history of why and how your business came to be, including any milestones
- Your success factors (what you do really well)
- Any innovative products, services, processes, and/or ideas being developed

Give further details about your management team, your staff, and key advisors including:

- Owners and managers: who they are and what strengths they bring to the business in terms of experience and expertise
- Staff: How many, what skill sets and experience they possess
- The positions and responsibilities of each of the above
- Plans for training and expanding staff as your business grows
- Your professional advisors: lawyers, accountants, bankers, consultants, mentors, etc.
- Your Board of Directors or Advisory Board (if applicable) and what business experience they offer

You may add an organizational chart to illustrate how your staff is or will be organized.

## 6) Opportunities

This is the part of your business plan where you promote your business concept, your vision for the future, and why your enterprise will succeed. Some information on value propositions can be found at <http://www.denkenresearch.com/articles/ValueProp81908.pdf>.

In a clear, concise and positive manner, base your statements on facts and address areas of interest to potential investors such as:

- How the market will buy your product and/or service
- How large the market is and how much you expect to capture
- What the future prospects are for your product and/or service

When addressing these issues, do not hesitate to use as much research and data as possible to describe and promote your product and/or service. You should include:

- Why your targeted market wants or needs your product and/or service
- What innovative features and compelling value your product and/or service offers
- How your offering is better than that of your competition
- If you are selling something new, whether it is protected by a patent, copyright or other legal means
- How your product and/or service will have longevity in the marketplace (will it soon be obsolete)
- What are your plans for updating it, or modifying it in the future

## 7) Production Plan

Regardless of what industry you are in, it is essential that you demonstrate a thorough grasp of how to manage business operations in a cost-effective manner. You are offering a product/service to a target market, and careful planning to deliver quality on time and on budget.

This part of your business plan should include information like:

- Facilities and Assets:
  - The location and size of your facility, including floor plans
  - Your facility's capacity for materials and equipment, percentage being used and how long that will last
  - Whether you lease or own the facility and equipment
  - Your proximity to suppliers (if applicable)

- The quality of your machinery and equipment (Is it the best available technology and does it meet industry standards)
- Your access to transportation
- Any future considerations for expansion or moving
- Any renovation considerations and associated costs
- Materials and suppliers:
  - The number and reliability of your suppliers
  - Whether you have adequate storage facilities for materials
  - Any regulations or permits for supplies/materials
  - Any risks associated with materials and suppliers (customs regulations, transportation concerns, environmental issues)
- Personnel:
  - Number of employee, including past, present and future projections
  - An organizational chart showing how your staff is organized
  - The skills, training and experience required of your employees including the cost of training
  - What compensation and benefits you provide each position including salaries, wages, overtime and/or fringe benefits
- Operations:
  - The industry standards for production (ISO requirements, environmental, health and safety standards, etc.)
  - Any relevant government regulations (environmental safety, hazardous material handling, insurance, etc.)
  - If you are starting a new business, how long it will take to acquire facilities, equipment and personnel before starting up your operation and completing your first production run

## **8) Marketing Plan**

Your marketing plan is an important component of the larger business plan. Here you describe your product and/or service in detail, emphasizing its unique or innovative features. Then you outline your strategic plan for selling your offering within your target market.

A few elements you may want to discuss include:

### The Market:

- Describe your potential market and your target customers
- With all forecasts, remember to include assumptions (interest rates, economic trends, inflation, etc.) that support your estimates
- Estimate your total potential market (the number of potential customers and your immediate target market) supporting these estimates with factual data
- Define your competitive advantage and how your offering satisfies the needs of this market
- Estimate the growth potential of your immediate market and possible future markets. Including national and international markets

Competition:

- Identify your major competitors: Who they are, where they are located, and their market share
- Identify any indirect competition
- Compare your products and/or services with that of your major competitors (brand name, quality, image, price, etc.)
- Compare your company to major competitors (reputation, size, distribution channels, locations, etc.)
- Assess the degree of difficulty for your competition to enter your target market
- Describe what you have learned from watching your competition
- Determine whether competitors' sales are increasing, decreasing or remaining steady and why

Technology:

- Describe how technology impacts your product and/or services.
- Consider how new and emerging technologies will impact your product/service and when investment in new technology may be required.
- Describe how your company can adapt quickly to change.

Socio-political environment:

- Describe changing attitudes and trends
- Assess how flexible and responsive your firm can be.
- Consider laws and regulations that may affect your business and what the financial impact might be.

Other:

- Include other situational factors that will affect your marketing plan, such as regulatory changes, access to venture capital, trade barriers, world economic issues etc.

You should also:

- Define problems and opportunities:
  - Identify problems or potential problems, as well as opportunities, that affect your business idea and state what you will do about them
- Define objectives:
  - Outline your business objectives in precise, measurable terms. Make sure you can quantify your targets
- Define strategies:
  - Outline how you will reach your objectives – steps you will take in planning, production and marketing to meet your targets
  - Ensure that you have taken into account the previously mentioned problems and opportunities, and have considered potential reactions of your competitors

Your action plan:

Here is where you address the four “P”s of marketing”: Product, Price, Promotion and Placement (distribution). Be prepared to explain:

- Your Product or Services – describe the quality, branding, packaging, modification, servicing of your product and learn the location of your service
- Your Prices – describe how you will price your product or service so that it will be competitive, yet profitable
- Your Promotional Plans – describe how, where and when you will advertise and promote your offerings
- Your Placement/Distribution Methods – describe where people will buy your product or have access to your service. Outline your selling methods and sales force: personal selling, mail orders, online. Include the number of salespersons and training required.

## **9) Financials**

The financial section of your business plan is all about numbers. Investors are looking for accurate and understandable information that will clearly show the bottom line.

With this in mind, you want to present your business idea as an attractive investment opportunity, so the following are some suggestions for items that should be listed in this section:

- The total amount of required funding for your business.
- Your use of funds (equipment, renovations, inventory, working capital).
- Your sources of funds (owners investment, mortgage, and/or term loans)
- The expected date when lenders can expect repayment
- Any liability limits and insurance coverage necessary to handle environmental and other risks.
- Your projected return on investment.
- Economic assumptions (inflation, economic trends, interest rates) that affect your estimates and forecasts.
- An approximate timeline for return on investment.

**Financial Data:**

- Pro Forma Cash Flow Statements
  - Monthly for year 1
  - Quarterly for years 2 and 3
  - Annually for years 4 and 5
- Pro Forma Income Statements
  - Monthly for year 1
  - Quarterly for years 2 and 3
  - Annually for years 4 and 5
- Balance Sheets
  - Opening Balance Sheet
  - Monthly for year 1
  - Quarterly for years 2 and 3
  - Annually for years 4 and 5
- Historical Financial Reports (if available)
  - Income Statements for the past 2-5 years
  - Balance Sheet for the past 2-5 years

### **Other information that can be included**

#### **Risk Assessment:**

- A. What are the risks associated with your business?
- B. How to deal with risks – your contingency plans for overcoming hurdles. How will you minimize risks?
- C. Exit Strategy

**Investors will not be swayed by having only positive points put forward. Investors want to know the risks. They will feel more confident.**

### **SWOT Analysis**

#### **Example:**

#### **Strengths**

- Adequate financial resources
- An acknowledge market leader
- Well-conceived area strategies
- Access to economics of scale
- Insulated from strong competitive pressure
- Proprietary technology
- Cost advantages
- Product innovation abilities
- Proven management

#### **Weaknesses**

- No clear strategic direction
- Obsolete facilities
- Lacks management depth and talent
- Missing key skills and competencies
- Poor track record implementation
- Internal operating issues
- Falling behind in research and development (R&D)
- Weak market image
- Unable to finance needed changes

#### **Opportunities**

- Serve additional customer groups
- Enter new markets or segments
- Expand product line
- Diversify into related products
- Add complementary products
- Vertical integration
- Ability to move better strategic position
- Complacency among rival position
- Faster market growth

#### **Threats**

- Likely entry of new competitors
- Rising sales of substitutes
- Slower market growth
- Adverse government policies
- Growing competitive pressures
- Vulnerability to recession
- Bargaining power of customer and supplier
- Changing needs and tastes
- Adverse demographics

### **Appendix (es)**

This will vary depending on what industry that you choose to operate in. May include resume, job descriptions, lease, licensing requirements, floor plans, articles to support market research, etc.



**PERSONAL NET WORTH**

**Assets**

Cash on hand	\$ _____
Cash in banks	_____
* chequing	_____
* savings	_____
* other	_____
Certificates of deposit	_____
Loans receivable	_____
Life insurance (cash value)	_____
Stocks, bonds, other securities	_____
Rebates, refunds	_____
Real estate (market value)	_____
Autos/other vehicles	_____
Vested pension plan	_____
Accounts	_____
Other Assets	_____

**Total Assets**

\$ \_\_\_\_\_

**Liabilities**

Notes payable	\$ _____
Contracts payable	_____
Short-term loans	_____
Mortgages	_____
Other loans	_____
Taxes owed	_____
Other liabilities	_____

**Total Liabilities**

\$ \_\_\_\_\_

**Total Assets**

\$ \_\_\_\_\_

**Total Liabilities**

\$ \_\_\_\_\_

**NET WORTH (subtract liabilities from assets)**

\$ \_\_\_\_\_