



The Business Plan and You

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A Member of the Canada Business Service Centre Network

Canada

Alberta
GOVERNMENT OF ALBERTA

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

- a. Give a brief outline of what you will cover in this plan.
- b. Describe how you will market your products and/or services.
- c. Discuss the goals and objectives of this venture.
- d. Outline the amount of funding you will require and how you will use it.
- e. Describe your products and/or services.

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. Outline what you hope to accomplish with this business and how your products and/or service differs from those already in existence.
- b. Outline the direction of growth for this business.

6. Description of Products and Services

- a. Describe your product and/or service and how it is positioned in the marketplace.
- b. 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.
- c. Discuss the status of research and development for the product or service.
- d. Include photos, schematics, sketches, blueprints, technical data and information if applicable.

7. Marketing

- a. Describe your target market, include demographic profiles, the geographic location, economic trends, 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.
- c. Address the issues of competition by describing what makes you competitive. Indicate the strengths and weaknesses of your competitors and how they affect your business.
- d. Plan the type of marketing and advertising you intend to carry out. Include information about promotional tactics.
- e. Discuss your pricing scheme and how it was determined. Describe how you plan to deliver your products or services.

8. Management, Ownership, and Organization

- a. Show the ownership of the business in terms of the partners' individual shares and contributions to the business.
- b. 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.
- c. Summarize important employee regulations and policies. Details and examples of such policies may be included in the appendices.

9. 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.
- c. Define the areas for potential growth. Explore the different avenues of manufacturing, exporting, wide area distribution, etc. Include plans of improving the quality of the products presently offered. Include goals of quality assurances on products, gaining certification of standards, etc.

10. Financial Position

- a. Include present financial statements, present assets and liabilities and a projection for both. Also include a projection analysis of financial statements, and projected cash flows (incoming and outgoing) needed to maintain the operation and growth of the business.
- b. Analyze and include a summary of ratios for cost of the product, production and distribution, in relation to profits.

11. 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, graphics, graphs detailing the projection of growth.
- d. Include any testimonials, letters of accomplishment for the product or service.

Some Valuable Tips:

- ▶ limit the plan to 20-25 pages
- ▶ avoid using jargon or technical terminology
- ▶ keep it professional, not extravagant or fancy
- ▶ maintain the focus of presenting the proposal and the need for this business, avoid “making the sales pitch” to your reader
- ▶ be realistic in your goals and objectives, results, growth potential, etc.
- ▶ address the issue of competition and their hold on the market
- ▶ be flexible in your strategies and marketing...not everyone will think you have the idea of the century
- ▶ do not bombard the plan with financial statements...other aspects are equally important
- ▶ assumptions do not equate projections, if you make an assumption, back it up and be realistic
- ▶ 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
- ▶ plan in advance for the funding you need and reflect that in your business plan forecast

Remember...

“No one plans to fail, they fail to plan.”

Start-Up Costs

1. Furniture & Fixtures

a.	_____	_____
b.	_____	_____
c.	_____	_____
d.	_____	_____

Total

2. Leasehold improvements

3. Equipment

a.	_____	_____
b.	_____	_____
c.	_____	_____
d.	_____	_____

Total

4. Vehicles

5. Security Deposits

a.	Rent	_____
b.	Utilities	_____
c.	Lease	_____

Total

6. Incorporation Costs

7. Accounting Costs

8. Pre-opening Advertising

9. Pre-opening Travel

10. Pre-opening Wages

11. Pre-opening Supplies

12. License

13. Insurance

14. Opening Inventory

15. Operating Loan

Total

Start-Up Costs

Explanation of 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, 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. **Pre-opening wages:** money spent to pay people for such items as stocking your shelves, pre-opening production, training
 - j. **Pre-opening supplies:** include your office supplies such as stationary, letterhead costs, etc., and your plant supplies such as bags, wrapping paper, tape, etc.
 - k. **Pre-opening travel:** include trips to suppliers, trade shows, pre-opening sales, etc.
 - l. **Licenses:** call the appropriate departments to find out costs.
 - m. **Insurance:** talk to an insurance broker for advice on what insurance you should carry. It varies according to the type of business you operate.
 - n. **Opening inventory:** the goods you purchase for store opening. Don't skimp on this. If you are understocked, you will give a bad first impression which can seriously damage future sales.
 - o. **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 metre), 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 don't 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 an 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
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 labour, 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													
Salaries													
Payroll Taxes													
Advertising													
Automobile													
Dues and Subscription													
Layout and													
Supplies													
Utilities													
Miscellaneous													
TOTAL VARIABLE													
FIXED EXPENSES:													
Depreciation													
Insurance													
Rent													
Taxes and Licenses													
Interest Only													
TOTAL FIXED EXP.													
TOTAL EXPENSES													
NET PROFIT (LOSS)													

Disclaimer

Information contained in this document is intended as a guide only and should not be relied upon as the only source of information. Please note that all information is current only at the time of printing and is subject to change.

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