Title Page

NAME OF BUSINESS

____

BUSINESS PLAN

____

DATE

____

CONTACT:
Name
Title
Address
Phone

This business plan is confidential

Contents Page

- Keep this simple and straightforward—a long content page will not impress anyone unless you've got the contents to back it up.

- Although you should feel free to number your sections, most professionally prepared plans do not usually contain page numbers.

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SUMMARY

Business Concept

Identify your type of business, your target market, and the basic purpose of your business. Describe its major characteristics and note the big differences between you and your competitors. Finally, without going into too much detail, give the reader a quick sketch of your future vision for the company and a summary of your mission statement, e.g. your business philosophy.

Current Situation

The key here is to put your company in the context of the industry as a whole, e.g. the “big picture”. What stage is the company at now? Have you made any sales yet? Is all the staff hired? Are sales and profits consistent? How do you compare to other businesses in your industry? What are your major challenges and how are you going to deal with them?

Key Success Factors

Key success factors are those items that will help to keep your business successful. What has helped your business so far? What are your real strengths? You have to understand what sets you apart from all the other businesses in your industry and learn to promote yourself based on these. Don’t be tempted to pick too many, though. Instead, focus on a few that can really make a difference.

Financial Needs

The costs of starting a business tend to run a lot higher than you at first think, so now is not the time to be shy about stating exactly how much money you need. Explain specifically how much financing you will need, what type of financing (line of credit, long-term loan, investment), when you will need it, what the money will be used for, and when you’ll be able to pay it back. For a start-up business, it’s vital to explain any sources you plan to use through at least the first year of operations.

MANDATE

Mission Statement

The importance of this brief paragraph can't be overestimated, yet it's one of the most often neglected portions of the business plan, especially for small start-ups. Here you describe your vision of what you would like your business to become in the future. Emphasize how your company will be different from other companies in your industry. But keep in mind that it's a lot easier to succeed by not beating your competition, but by doing everything you can to avoid competition.

Important Goals

Goals get people excited! They challenge and motivate employees and management, so they're often a nice touch for your business plan. List a few of the key events and the approximate dates of completion that will help accomplish the goals you've set for your company.

MARKET ANALYSIS

Overall Market

Placing your business (even if it's just a small, local company) in a greater context helps people understand your business a lot better. Define and describe the overall market in which you are competing, and, if possible, give some hint as to the size of the market. You don't have to be overly specific, but you should cite your sources and note where you have made estimates. This makes your business plan look a lot more professional.

Market Changes

In this section you should pay close attention to trends that may possibly affect your business. Look at things like new markets, changes in the nature of competition, demographic shifts in markets, the emergence of product substitutes. Include any implications of these changes and what you will do to face them.

Target Market

For some businesses your choice of target market may be the most important element of your strategy—especially if your choice sets you apart from the competition. Define and describe the target market and customers that you are going to focus on in your business.

Customer Characteristics

It is always a good idea to create a picture of your typical buyer. Include characteristics that are more common among your target buyers than in the general population, but don't limit you just to these. Analyzing customer characteristics helps you position and refine your products/services and develop your marketing strategy.

Customer Needs

Identifying unfulfilled customer needs may help you to create a new product/service niche. Try to be as specific as possible about the benefits of purchasing your product, including direct and indirect, tangible and intangible benefits.

Buying Decisions

Although this is usually lumped into the customer characteristics section, separating it may serve to better educate you on why your customers purchase your particular product/service. Identifying this decision process will help to position you above your competition. Surveys are often used to determine these buying decisions, although there are other methods of equal merit.

COMPETITIVE ANALYSIS

Industry Overview

This is an important section because many of the people reading your plan may not be familiar with your business. (Remember, don't take it for granted that everyone is as up-to-date on all the industry news as you are!) Facts and figures aren't important here, but rather the overall structure and characteristics of the industry. Useful information may include the degree of competition, ease of entry, level of profitability, and other important characteristics.

Nature of Competition

In what ways do your competitors promote their products? Focus on the one or very few ways that companies focus most of their competitive efforts. For example, is price a big factor in your industry? What do companies focus on when comparing products to their competitors?

Industry Changes

Trends in the industry are very interesting to people who may be willing to invest in your business. Everyone wants to know what changes are happening and how your business will deal with him or her. You may want to discuss how trends will impact groups in the business, such as suppliers, dealers, wholesalers, retailers, and consumers.

Main Competition

Direct your competitive analysis on those few companies you directly compete with. Look for factors that are possible strengths or weaknesses of each firm. Try to determine and summarize the strategy of each competitor without focusing on their particular products or services.

Competitive Products

In this section you should focus on those competitors you compete with most directly—the market leaders—and try to identify why they have been successful. Try to determine how they are positioning their products. Are they targeting a particular market niche? Do they seem to succeed in this positioning? How can you take advantage of their success?

Opportunities

Entrepreneurs who believe they have discovered untapped market needs are usually disappointed by one of two realities—people aren't willing to pay for it, or someone has already done it! As a result, success is most often found by how well you differentiate the same product or service from the competition. Include all major opportunities that you think might exist, not just ones you plan to pursue.

Threats

Usually, the fewer the competitive businesses you face, the more powerful the reaction to your entrance into the market. In fact, new businesses tend to underestimate possible competitive reactions and are not prepared for the fierce competition. Identifying the most significant risks from your competitors will help to reduce any surprises from your competitors.

STRATEGY

Capabilities

In this section you should list your company's major competitive capabilities and strengths and explain why these are important success factors in your industry. Although it may seem difficult to find strengths over other established, more successful businesses, remember that as a new company, you're not tied to the old ways and can be much more flexible. Promote this in your business plan.

Weaknesses

In this section you should list and explain your major shortcomings and explain how you are going to overcome them. Try to think of yourself as an outsider looking at your business. Sometimes this helps you to see many weaknesses. Don't focus on too broad a number, but rather on the two or three most critical ones. Then explain what steps you can take to minimize potential weaknesses.

Strategy

This is the heart of your business plan (and of your business in general). It is an account of the one or two key factors that distinguish your company from your competitors, and is most likely to contribute to the long-term success of your business. But don't fall into the trap of basing your strategy on have the "best products" or offering the "best service." In the business world, these are naïve statements since it is difficult for consumers to differentiate the "best" from any one company. Instead, buyers tend to care more about which products or services best fit their specific needs, so focus your strategy on the uniqueness of your business.

Implementing Strategy

The most important thing to focus on in this section is how you propose to get people committed to your strategy . . . and stay committed. It's great to have a fantastic new strategy, but if no one follows it, it's as good as gone. This section gives you a chance to explain the specific steps you will take to be certain everyone adheres to your strategy. (If you think you've covered this adequately in another portion of the plan, you may want to skip this section.)

PRODUCTS/SERVICES

Description

Start with a very brief, easily understood statement of what your product/service is and/or what it does. Your readers should understand instantly the essence of your product/service. Afterwards, you can go into more detail about what differentiates your product/service from those of the competition.

Positioning

Although this section is not always necessary, it can be useful for developing a marketing plan and advertising strategy. It should emphasize how potential customers perceive your products or services. In some cases, there is no difference between two products, so understanding how customers perceive these competing products is a good way of determining how best to appeal to these consumers.

Competitive Evaluation

It is hard to evaluate products and services before they actually exist. If you decide to include this in your plan it is best to consider some major competitive differences that would be of real importance to your ideas. Although this section is mainly geared to already existing businesses, it is nonetheless important for new business ventures. In this section you need to seriously analyze how your products/services will hold up against your competitors when planning for your success.

Future Products/Services

Thinking ahead about potential changes that you might make to your products/services is also important to compete and maintain flexibility in an ever-changing business environment. This may mean updating or totally re-creating your product/service. This section should highlight your plans for future adaptability, e.g. will your present product line one day lead to a more advanced product or process down the road?

SALES AND MARKETING

Marketing Strategy

Your marketing strategy is what draws customers to your products/services. Recognizing the common characteristics and principles in your marketing strategy relating to what your business offers is important. Consider the message that you want portrayed to your customers. In your marketing strategy it is wise to consider identifying major differences between you and your competitors and how you intend to market these differences. Having an effective marketing plan that shows consistency will bring you success. If your message to the customer is quality, then your strategy should revolve around quality of your product. When creating your strategies and plans make sure they fit your financial and human resources constraints.

Sales Methods

Describe your methods and sales strategies here in detail, as well as any aspect of the sales approach that is important for your success. Emphasize anything that significantly makes you unique. When starting a new business it's often easiest to sell directly to your customers using a good sales strategy. This section will demonstrate to the reader the importance you place on selling.

Advertising

Describe the advertising message or goals you want your customers to see and demonstrate how your advertising ideas will effectively reach your target market. Take into consideration the ways in which you want to advertise and be certain they suit your business. Pay attention to what your competitors are doing and use their ideas to your benefit and improve on them.

Promotions

State any promotions or incentives you plan to use in selling your product/service. How often do you plan to use these techniques to reach your target market and audience? Remember standing out from your competition is how you will lure customers. Again, always advertise within your budget.

Publicity

Describe the focus or message of your publicity program. Include the media you will be using and why you feel they are effective in getting your messages across. The main point between publicity and advertising is that advertising is costly and publicity is free, and customers are often drawn more to publicity than to advertising. Publicity is more personable and makes the audience a part of your self-promotion.

OPERATIONS

Key Personnel

Investors and lenders make their decisions based on good people. They look for a success in past endeavors and relevant experience. It's important they see you as someone who knows what you're doing. Describe other important people who are imperative to the success of your business. A good suggestion is to include resumes for these key people in your appendix. When writing up your summary consider the complexity and size of your business. Larger businesses require more details. If you do not have all the people hired for your key positions just outline the responsibilities that will have to be met when you do hire.

Organizational Structure

This section explains how your work is divided between key personnel. When you have more than one key person sharing important responsibilities, organization becomes very important for success. This structure also prevents any difficulties when dealing with someone's responsibilities in the future.

Human Resources Plan

Discuss which positions need to be filled, created, procedures for hiring employees, policies on reviewing employees, salaries, benefit policies, and training plans. Your main focus is to establish a good resource plan for your company. When dealing with a relatively small business, however, this may not always apply.

Product/Service Delivery

Discuss how you plan to deliver your service or product. It should support your business strategy or your product or service positioning strategy. For a new business a good focus will be on how your product/service will be different from those of your competitors. For an existing business a good focus is on the possible changes you will make to improve on what you are already doing.

Customer Service

Good customer service is one of the main keys to a successful business venture. You need to take into consideration how you will go about dealing with these issues, e.g. will you deal with them internally or contract these responsibilities out to others? Regardless of the size of your business customer service is important and can often be the deciding factor in the customer decision-making process.

Facilities

Your company's facilities and their condition/location can be important features for your business. Describe all the advantages and disadvantages of the location and explain the type of facilities you manage, the kinds of clients you will draw in, and your equipment and how it will be used and furnished. For example, are you in a high traffic area and therefore expect to draw more customers than other similar companies?

ASSUMPTIONS

Name of Plan:	______________________
Starting Month:	______________________
Starting Year:	______________________
Years Covered by Plan:	______________________

Payroll Tax Rate:	0.0%
Income Tax Rate:	0.0%
Credit Sales:	0.0%
Days Credit:	0
Inflation Rate:	0.0%
Short-term Interest Rate:	0.0%
Long-term Interest Rate:	0.0%

Comments: ____

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Definition of terms:

Payroll Tax Rate: This is the percentage of gross payroll that you as an employer will pay on behalf of your employee(s) for payroll taxes plus the cost of employee benefits.

Income Tax Rate: This is the percentage of net income that you estimate all income taxes (municipal, provincial, federal) will run.

Credit Sales: This is the percentage of your total sales that will be made on credit. Do not worry about this if you will not offer credit.

Days Credit: If you do offer credit, how many days will customers take on average to pay you?

Inflation Rate: What is your estimate of the inflation rate trend over the period covered by your business plan?

Short-term Interest Rate: Estimate your annual interest rate for short-term debt. A good rule of thumb is 2 percentage points over the current prime rate.

Long-term Interest Rate: Estimate your interest rate for long-term debt. A good rule of thumb is 3 percentage points over the current prime rate.

STARTING BALANCE SHEET

Assets	Balance
Current Assets	
Cash	0
Accounts Receivable	0
Inventory	0
Other Current Assets	0
Total Current Assets	0
Long-term Assets	
Depreciable Assets	0
Accumulated Depreciation	0
Net Depreciable Assets	0
Non-Depreciable Assets	0
Total Long-term Assets	0
Total Assets	0
Liabilities and Owners' Equity	
Current Liabilities	
Accounts Payable	0
Short-term Debt	0
Income Taxes Due	0
Total Current Liabilites	0
Long-term Debt	0
Owners' Equity	
Net Worth	0
Total Equity	0
Total Liabilities and Owners' Equity	0

Definition of terms:

Current Assets: These are assets that will be turned into cash within a year or may be converted to cash very quickly.

Cash: These are your most liquid assets and include checking accounts, savings accounts, and money market funds.

Accounts Receivable: This is money owed to your business by customers due to regular business transactions.

Inventory: Inventory includes raw material, work in process, and finished goods.

Other Current Assets: These are all other current assets and include pre-paid rent, pre-paid taxes, and pre-paid utilities.

Long-term Assets: These are assets not easily turned into cash and typically have useful lives greater than one year. Examples include items such as equipment, buildings, land, and motor vehicles.

Depreciable Assets: These are assets that depreciate (lose their value) over time and include equipment, motor vehicles, leasehold improvements, and buildings. For this item you must always enter the original purchase price and not the current market value.

Accumulated Depreciation: This item includes all the depreciation accumulated on your depreciable assets to date. For example, let's assume you can expect a computer to last five years. We will therefore depreciate this item at a rate of 1/60 of its purchase value every month (there are 60 months in five years).

Net Depreciable Assets: This value is calculated by simply subtracting accumulated depreciation from depreciable assets.

Non-Depreciable Assets: These are long-term assets that do not depreciate such as land.

Current Liabilities: These are liabilities that will be paid within one year.

Accounts Payable: This is money you owe to other businesses due to regular business transactions.

Short-term Debt: These are borrowed funds or notes that your business owes that are due within one year.

Income Taxes Due: This is all income taxes that your business owes. (Sales taxes and any other taxes should be included under accounts payable.)

Long-term Debt: These are borrowed funds or notes that the business owes that are due in more than one year.

Net Worth: For a sole proprietorship, this is what is left after subtracting your total liabilities from your total assets.

CASH FLOW PROJECTION

Starting Cash		0
Sources		
	Cash Sales	0
	Credit Sales	0
	Short-term Loan Sources	0
	Long-term Loan Sources	0
	Equity Sources	0
	Total Sources	0
Uses		
	Cost of Sales	0
	Payroll	0
	Payroll Taxes/Benefits	0
	Facilities/Equipment Rental	0
	Maintenance/Repairs	0
	Utilities	0
	Phone	0
	Insurance	0
	Supplies	0
	Freight	0
	Travel/Entertainment	0
	Commissions	0
	Advertising	0
	Literature	0
	Legal/Accounting	0
	Miscellaneous Taxes/Fees	0
	Interest	0
	Short-term Debt Payments	0
	Long-term Debt Payments	0
	Owner Pay	0
	Total Uses Before Taxes	0
	Income Taxes	0
	Total Uses After Taxes	0
Net Change in Cash		0
Ending Cash Position		0

Definition of terms:

Starting Cash: For the first month your Starting Cash entry will be the same as your cash entry on your Starting Balance Sheet. In subsequent months, your Starting Cash will be the same as your Ending Cash Position in the previous month.

Cash Sales: This is all the funds expected from your cash sales. If you offer no credit, this value will represent 100% of your estimated sales.

Credit Sales: This is all the funds expected from your credit sales. It is important to remember that you must only enter cash into this item when you *receive* the cash, not when you made the sale. As you can see, determining how long you think it will take your customers to pay you is important here for making accurate projections, so think about this carefully.

Short-term Loan Sources: Generally you should enter this item only after you have made all other entries. Why? Simply because this value will change based on how much money you will need each month. You should enter enough proceeds from short-term loans so that the cash flow at the end of the month and each year reflects a positive balance. After you enter this value for the month, you can now go back to the Profit and Loss Projection and adjust your Interest cost. This will also affect your Short-term Debt Payments, so remember to adjust accordingly.

Long-term Loan Sources: Here you can enter any long-term (more than one year) loan sources that will be used to help finance your business.

Equity Sources: This item lets you enter any new equity sources that you may receive, such as if a new or current investor contributes an additional amount of money to the business.

Cost of Sales: These are your *direct* costs associated with producing your product (or delivering your service). This may include direct labour costs, raw materials, or labour costs associated with providing a service.

Payroll: This is your gross payroll expenses. Remember, if you have already counted some portion of payroll in your cost of sales, do not count it again here.

Payroll Taxes/Benefits: List the costs associated with any expenses your business will incur through benefits paid to employees, e.g. health deductions.

Insurance: This item includes all insurance expenses, except those costs previously included under payroll taxes/benefits.

Supplies: Include here all *non-direct* supplies used in running the business. Usually these costs would include office supplies, shipping material, and cleaning supplies.

Advertising: This item will list all advertising and publicity expenses not listed under other categories such as literature and commissions.

Literature: Include the costs of any coupons, direct mail pieces, brochures, catalogs, and other promotional material.

Miscellaneous Taxes/Fees: This item, which lists the costs associated with all taxes and fees except income taxes, will usually include permits, licenses, real estate taxes, and inventory taxes.

Interest: Interest is assumed to be paid for with cash. Simply use the entry for the interest for the same month from the Profit and Loss Projection. Remember, though, that interest will change every time you change your short- and long-term financing.

Short-term Debt Payments: This is used to enter any payments on the *principal* of short-term debt. (Interest payments should not be included.)

Long-term Debt Payments: This is used to enter any payments on the *principal* of long-term debt. (Interest payments should not be included.)

Owner Pay: Enter any dividends or pay-outs to the owner(s) in this row.

Income Taxes: For this entry, simply sum your income tax liability estimates from your Profit and Loss Projection, then enter them into the appropriate month you will be required to pay income taxes.

Net Change in Cash: This row reflects the change in your cash position during the month. It can either be negative or positive. However, short-term debt should be used to keep the Ending Cash Position

Ending Cash Position: This row reflects the amount of cash you will have on hand at the end of the month. The ending cash position for one month is the same as the starting cash for the following period.

KEY RATIOS AND ANALYSIS

Date: ________________

Current Ratio: ________________
Quick Ratio: ________________
Return on Equity Ratio: ________________
Return on Assets Ratio: ________________
Debt to Equity Ratio: ________________
Debt to Assets Ratio: ________________
Working Capital: $________________
Sales Break Even: $________________

Definition of terms:

Current Ratio (Current Assets/Current Liabilities): This ratio tests the short-term liquidity of the business.

Quick Ratio ((Current Assets – Inventory)/Current Liabilities): Like the current ratio, the quick ratio tests *very* short-term liquidity because it does not take into account your inventory, which is usually not as liquid as cash or receivables.

Return on Equity Ratio (Net Profit/Total Equity): This ratio should be high enough to offset any risks of investment in your company.

Return on Assets Ratio (Net Profit/Total Assets): This ratio shows how well the business uses its total assets in earning net profits.

Debt to Equity Ratio (Total Liabilities/Total Equity): This ratio indicates how heavily the debt load of your business is compared to your equity. If it's too high, it might look risky too investors, although averages vary greatly by industry.

Debt to Assets Ratio (Total Liabilities/Total Assets): Similar to the debt to equity ratio, the debt to assets ratio compares debt and total assets. Normally, this ratio should be 0.5 or less, but averages vary.

Working Capital (Current Assets – Current Liabilities): This value measures the amount of funds your business has available to pay its daily operating expenses.

Sales Break-Even (Fixed Costs/(Revenue per unit – Variable costs per unit)): This value indicates the amount of sales your business needs in order to break even. Your break-even point should be significantly lower than your predicted sales projections.