



A Business Plan Outline

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Components of a Business Plan

1. Executive Summary
2. Organization overview
3. Details of your service/ product
4. Marketing Plan
 - Proof of demand/ market info
 - Target customers
 - Analysis of competition
 - Promotion and advertising
5. Financial Plan
6. Appendix

From the information below, select only those items that relate to *your* business. You may not be purchasing an existing business, manufacturing a product, or hiring manager and staff. **Your business plan is a personal document and reflects *your* plans and goals.** There is no one correct format!

For example, another set of business plan headings is:

- Executive Summary
- Business Profile
- The marketing plan
- The production plan
- The human resources plan
- The financial plan
- Supporting documents

A business plan for a service business will be quite different than one for the manufacturing sector. A business plan for a business needing to borrow \$100,000 may be quite different than one for a business requiring no start-up funding. However, the basic components ARE the same!

If you are planning to approach a lending institution, it might be a good idea to request a copy of their own Business Planner. That way you can use a layout and headings with which they are familiar

*Business plans are not only useful when considering financing;
they are an essential management tool
to help you determine the future direction and success
of your business.*

Executive Summary

The purpose of an executive summary is to provide a quick and concise overview of the business (in one or two pages). ***This is where you sell your self, and your idea!*** Although this section appears first, it should be written last.

The plan summary should highlight key elements of the entire business plan (who, what, where, when, how), including:

- ❖ Objectives of the business (Mission Statement)
- ❖ Your products or services, with emphasis on distinguishing features and the market needs they will meet
- ❖ Your target markets and their distinguishing characteristics
- ❖ Your estimate of market potential and assessment of the competition
- ❖ Your management team's experience and talents
- ❖ Projected financial results
- ❖ How much money is needed, what will be done with it and how/when it will be paid back
- ❖ Longer term plans which may be pertinent

Organization Overview

Background:

- ❖ If your business is currently operating, the background of that business, including when it was started, highlights of its progress
- ❖ Any previous financing and by whom
- ❖ The current ownership of your company

Ownership/management proposed:

- ❖ Business name and location
- ❖ Phone, fax, email and website
- ❖ Business number (including date of registration)
- ❖ GST, PST, payroll registrations
- ❖ Regulations and licences
- ❖ Municipal zoning considerations
- ❖ Proposed legal structure (sole proprietorship, partnership, corporation)
- ❖ Insurance coverage – how much is needed? with what firm? costs?
- ❖ Record keeping plans
- ❖ Owners skills and experience and personal qualifications for managing *this* business
- ❖ Family cooperation/ support (if pertinent)
- ❖ If home based
- ❖ Advisors

If several managers:

Key Personnel:

- ❖ Explain how your company will be run. If you have a management team outline how it is organized and describe the primary role each member plays. If appropriate, use an organization chart.
- ❖ Demonstrate how team member's skills complement each other. Show the balance of marketing, financial, management and production skills, as well as experience with the product or service you are developing.

Key Managers:

Prepare a brief synopsis of each key manager, including:

- ❖ Duties and Responsibilities.
- ❖ Career highlights
- ❖ Significant past accomplishments that demonstrate ability for the tasks that will be required.
- ❖ Include resumes as an exhibit in the appendix. Resumes should include sufficient detail for future verification by a financial institution, an investor, government agency, etc.
- ❖ This section should also discuss any apparent weakness in your management team. Are any critical skills missing? If so, how will this be overcome – by training? Recruiting? Outside advisors?

Compensation & Ownership

- ❖ State how each person will be compensated (by salary? Incentive bonus? Profit sharing?), and what investment each has in the company. Include a list of the stockholders and the number of shares each owns.
- ❖ Identify your board members (if any) and briefly discuss how each helps in the development of your company. Indicate any investments board members have made in your company.

Your Product/ Service:

This section should cover items such as:

- ❖ A detailed description of your service/product, paying attention to the time factor involved in delivering the service/ creating the product
- ❖ Details of your *niche* advantage
- ❖ Suppliers and terms
- ❖ Pricing policies and terms of sale
- ❖ Customer service considerations

For manufacturing firms:

- ❖ Describe the manufacturing process or the method of performing the service.
- ❖ Discuss the labour force where you will operate – What are the costs – Is there enough labour available with the right skills? Will additional training

be required? What will it cost? Is the labour force unionized or likely to be in the future?

- ❖ Plant overhead and how allocated i.e. labour and material cost and availability, transportation, proximity to customers and suppliers, taxes, local laws, and utility costs.
- ❖ Facilities and equipment (describe the facilities and the equipment and the equipment the will be required – What will these cost? Will you lease or buy? (Discuss future needs)
- ❖ Method of distribution
- ❖ Costing and control.
- ❖ Employees numbers, union, etc.

Marketing Plan:

Market research is the most important part of any business plan since it determines not only potential demand and the target market but also expected sales levels, future opportunities in the market, how many employees will be needed, etc. In essence, **the marketing plan is the foundation of a good business plan.**

This section should demonstrate that you understand how your market should be segmented, and that you have the ability to sell and deliver your product or service effectively to the right targets. This is the place to show why customers will buy from your company. The following outlines some of the things that should be included:

Proof of Demand:

- ❖ Identify the industry and describe trends and the outlook for the market. By investigating past trends, it is often possible to anticipate future opportunities in the market. Identify how you can capitalize on the trends identified.
- ❖ Pick at least three reasons *you* feel there is demand for your service/product and then locate statistics, articles, and other supporting documentation for your reason
- ❖ Focus on your *niche* advantage and why you feel that will generate demand
- ❖ Any research and development completed or planned
- ❖ Evaluation of a market survey, if completed
- ❖ Estimate the market share and sales volume that you think you can achieve over the next two, three years. Identify which portions of your estimate represent “hard” purchase commitments. You may wish to present this information in tabular form.

Target Market:

- ❖ Identify your target market(s). Is the market growing or declining? Distinguish between primary and secondary customers. It is important to segment and target the market properly – something that new companies frequently overlook. Concentrating your resources on the needs of a specific segment and carving out a niche may mean the difference between success and failure.

Sales Plan:

- ❖ Discuss how and where you plan to sell and distribute your product or service. How much will this cost?
- ❖ What will be your expected market share for the first year? (try ... total \$ value of the market divided by total number of competitors) Future growth potential?
- ❖ How large will your average sale be? Breakdown of services/product to sell?
- ❖ Will you use direct sales force? How many salespeople do you need? Will they be compensated by salary or by commission? What education and experience will you require, and how will you find and attract good salespeople?
- ❖ Explain in detail how you arrived at your prices. What are your pricing policies? Will you use credit cards? on account? How will you collect accounts?

Competition:

- ❖ Investigate the competition. Find out their length of time in business; size; location; products and pricing; estimated sales; etc. Understand which are direct and which are indirect competitors, what their pricing strategy is, their competitive advantage, etc. If you fully understand your own strengths and weaknesses you can turn them into opportunities.

Advertising and Promotions:

- ❖ Discuss how you will generate awareness of your product or service among potential customers. Which promotional activities you will use ... networking, public relations, trade shows, sales incentives, promotional literature, media, etc.
- ❖ Will these expenses be a large percentage of total expenses? If so, explain how much they will be and when they are likely to be incurred.

Financial Plan

You will need to include any previous financial statements (if applicable) as well as detailed projections for the first year. If you are requesting considerable funding, you will likely be asked to provide financial projections for two or three years.

Be realistic about your expenses and conservative about your revenues!

- ❖ Financial statements for the past three years of operation (if available)
- ❖ Start-up/expansion costs, with written estimates of any major items
- ❖ Breakdown of fixed and variable costs? What about personal withdrawals?
- ❖ Cash flow projections by month for the next 12 months, separating out the personal and capital expenses
- ❖ Summarize/identify all assumptions in your revenues and expenses
- ❖ Projected balance sheet and income statement for the next three years
- ❖ Break-even analysis
- ❖ Owner's personal equity statement

Consider using a computer application to help you with projections based on your assumptions. Your projections should be tied to your market expectations. It is important to state clearly the assumptions you used when preparing the projections.

Your financial analysis should identify and support the amount of money you are seeking from potential investors or financial institutions. Preparing financial projections requires accounting and finance knowledge. If none of your team members are qualified in this area, get outside help.

Money needed:

This section of your plan should indicate the amount of money you will need, when you will need it, how it will be used and how repaid. Respond to questions like:

- ❖ How much money do you need?
- ❖ How much will you need over the next three to five years, and when?
- ❖ How will you use the initial funds?
- ❖ What financial structure are you proposing for the financing (i.e. what portions of the funds will be debt and equity)?
- ❖ What will the terms be?
- ❖ Do you qualify for government assistance?
- ❖ What will you do if you have underestimated the amount you will need?

Appendix

Include exhibits to provide additional details that help tell your story. For example

- ❖ Resumes and references
- ❖ Photographs or sketches of your product/service and site
- ❖ Market studies and research
- ❖ Published data and articles relating to your market research
- ❖ Sample promotional materials
- ❖ Relevant contracts and agreements (eg. Partnership agreements, leases, etc.)

Other Considerations:

Organization Of Plan:

Organize your plan so it is easy for readers to find specific sections. Many readers will read only selected section according to their needs for specific information. Your plan should have a table of contents. Also consider using tabs to identify major sections.

Objective Overview:

After you have completed your business plan, have others review it before sending it to potential investors or lenders. Individuals in the best position to provide you with constructive comments include business consultants, other entrepreneurs, your accounting and business advisors, and your lawyers.

Confidentiality:

Your plan will contain sensitive and confidential information. Therefore, you should carefully control its distribution. Indicate on the cover page, and in a footer, that it is confidential. A sample statement can be put on the cover page, such as:

The following business plan contains information of a highly confidential nature. Any disclosure of the contents of this plan or other information provided, without the express written permission of the company, is prohibited.



Why Do I Need a Business Plan?

1. To reach your final goals and be successful, you need to plan your strategy to get there.
2. To help you organize (on paper) how you are going to carry out your business.
3. On a daily basis, your plan acts as a “map” and a reference that will help you stay on track and meet your goals.
4. It allows you to forecast your financial goals and “check and see” if you’re keeping up with your predictions.
5. You need a plan in order to get a loan. It shows that you have taken the time and effort to organize and plan and demonstrate that you and your business have potential to succeed.