

BUSINESS PLAN PROJECT – TEAM ASSIGNMENT

Check Moodle for Due Date

A Business Plan is an integral part of starting and maintaining a successful small business. Therefore, it is important for those being trained in any entrepreneurial program to be well versed in business planning procedures and capable of preparing a business plan.

Be realistic in preparing your forecasts. It is better to decide not to pursue a business venture after having completed your business plan, than to have forged ahead without one. Too many businesses fail because of lack of planning. The main purpose of your business plan in this course is to help you to decide whether or not to proceed with the proposed business venture. For those who take the business plan the next step and open up their own business, the business plan becomes a critical roadmap that is revised and revisited to help maintain and grow the business.

Preparation:

Skim through Chapter 15 in your text to get an overview of what a business plan contains.

You should have been working on sections of your plan as these topics were covered in your class and practiced in your lab sessions. Follow the Worksheets for specific details of each section and refer back to the relevant chapters in your text for additional information.

Your text has provided chapters 4 through 17 for all the business plan components. There are worksheets and samples of each component in your text. Do not attempt to do your financial forecasts (particularly your cash flow forecasts) manually. It's too onerous to revise as you make changes to your forecast scenarios. The computer based spreadsheets are designed to make your life easier. Use them!

EVALUATION: While there are no set guidelines as to the length of the project (average project is 30-40 pages single-spaced plus appendices), it should be thorough, of high quality, and reflect the efforts of each participant working on it. The business plan is worth **40%** of your final grade.

ORGANIZING YOUR BUSINESS PLAN

Finally, included are some tips on how to organize your business plan to ensure ease of review and a professional format.

- ✓ Use plenty of headings and subheadings to break up your report.
- ✓ Follow the format outlined in the textbook: Successful Business Plan.
- ✓ Do not skip sections of the Business Plan, or you may end up losing marks. If a section seems too repetitive, cross reference it with another section of the plan instead of repeating the information.
- ✓ Make it easy for the reader to read it. Use a simple, straight forward business writing style, and have other people review your plan to ensure all questions are answered.
- ✓ Use appendices for supplementary material in your business plan (see Chapter 17 for examples of what may be included in the appendices). **Any information placed in an appendix must be referred to in the text of your business plan in the appropriate place (or it should not be read!).**
- ✓ Ensure that your business plan contains no spelling, grammatical or typographical errors. Proofread your work and have others do this as well!
- ✓ Write the Executive Summary last. This is the most important part of your business plan. Spend time on it to make it interesting and informative. An Executive Summary should contain key information and financial highlights of the business plan. It is not the same thing as an Introduction or Table of Contents which tells the reader only what the plan contains and not any specific details. It should be brief (maximum two pages) and to the point.
- ✓ If you are unsure of what a good final product should look like review the samples in the textbook and check with your instructor for examples of exemplary student plans. In addition, sample business plans are available on many Internet sites.

A Step-by-Step Outline for Writing a Business Plan

Introduction

We recommend a business plan that begins with: a Cover sheet, Table of Contents, and Executive Summary. The main body of the plan should be divided into eight broad categories (Sections A to H), which are detailed below. Sections A to G of your plan provide a description of the business. The goal of these first seven descriptive sections is to prove, with words and numbers/data that you know your business and you know your market potential. The Financial Section is mainly aimed at lenders—bankers, credit managers and venture capitalists. Lenders and investors are not likely to be swayed by your enthusiasm of the first part of your plan. Your job, therefore, is to make the numbers and research do the talking and prove that your idea can be translated into a financial benefit. We suggest that your Financial Section be divided into five subsections as shown below in Section H.

Finally, your plan will contain a set of Appendices, which provide any necessary support materials or information. A list of the typical kinds of information that would be contained in this section is given in the detailed outline below.

Detailed Outline of a Business Plan

Cover Sheet

The first part of your plan is the cover sheet, which should include:

- Name of the business
- Logo/slogan for the business
- Name of the principals/owners
- Addresses of the principal/owners
- Telephone numbers and e-mail addresses of the principals/owners
- What type of document it is (e.g. Business Plan)

Table of Contents

The Table of Contents is the reader's guide to the major sections of the plan. In practice, the Table of Contents is prepared last and simply lists the various sections of your plan according to page number. Every major heading in the plan must be referenced in the Table of Contents. Page numbers should only include the first page number (e.g. Target Market -- --3 and not page 3-4) and all page numbers should be right aligned. Also, all appendices needs to be individually labelled (e.g. A, B, C, D), titled (e.g. Partnership Agreement) and page referenced so reader knows what each one contains and where to find it.

Executive Summary

The Executive Summary serves as an introduction to the business plan. It must boil down to the essence of your business, its purpose, methods, marketing position, return on investment, and other advantages. Include key findings from every major section of your plan (refer to the marking guide for these main areas). Because the Executive Summary gives perspective to the entire business plan, it needs to be written last (after you have completed your financial section). Should be approximately two pages in length.

General Organization & APA Referencing

This section looks at how well organized your plan was and how easy it was to review and analyze the material. Were headings used to break out major sections of the plan? Did the referencing follow APA format and were they listed in a separate reference section at end of plan (before appendices)? Were all the appendices in the plan referred to in the appropriate place in the text of the plan? Were page numbers used?

Spelling/Grammar

Are there typos or grammatical errors? Are there run-on sentences? Is there an appropriate use of paragraphs? (Hint: 3-5 sentences in a paragraph and should cover a major theme).

Appendix: Supporting Material

Is the required appendix materials (e.g. management resumes, partnership/shareholders agreement) provided? Is appropriate supplementary material included? For example, you may wish to include the following support material in the appendices if relevant to your business:

- Brochure and other promotional items
- Product list and prices
- Customer feedback form
- Personal information (personal goals and personal net worth statements)
- Secondary research that supports your plan (key parts not whole studies)
- Lease/ownership documents
- Photos and floor plans and map of location
- Quotes (and pictures) for detailed equipment and leasehold improvements
- List of Directors or Advisory Board members

A. Company Description: The Product or Service/Pricing Strategy

This section describes the unique features and benefits of your product or service. We suggest that the following information be included:

- If you already have a business, include a brief history of your company. Note: if a startup company, this section does not apply.
- A description of your product or service in terms of:
 - features or characteristics (what does the product/service offer?). Include items in the appendix such as menu, brochure, price list.
 - benefits (i.e., what market needs is your product or service satisfying? what business are you in?)
 - price (include price list) and pricing strategy (such as penetration/skimming, prestige/premium, at, above or below-market level, cost-plus fee or percentage)
Also include a rationale for your pricing strategy
 - what makes your product or service unique (competitive advantage/differentiation strategy)
 - a brief statement about how customers will access your product or service (i.e., retail, direct sales, internet, mail order, etc.). This will be elaborated on further in the operations section.
Note: it is NOT your promotion strategy
- Include stage of development and proprietary position if relevant. Only pertinent if you are inventing a product and are in the process of developing it and bringing it to market. If relevant, do include any proprietary information such as patents, copyrights, trademarks or registering your name.

B. Industry Analysis, The Market and The Target Customer

This section explains the market need for your product or service, and your estimated market potential through market research. It also describes the target customer who will buy your product or service. You might want to organize your information into the following subsections:

1) Industry Overview

- A description of the industry and the industry segment in terms of:
 - stage of the industry life cycle (e.g. embryonic, growth, maturity, decline)
 - current growth (e.g. increase in industry sales)
 - current industry trends

Identify your industry and then explain it – this requires secondary research on your industry and is broad in nature. Also, your industry cycle is likely mature unless you are really developing something new and you can convince reader of that. Remember to SOURCE all data you use in the text and at the end of plan in a reference list, and use APA referencing style.

2) Market Potential

Estimation of your market potential (What is the market size? What is your market share? How does this translate to your estimated sales?) Use secondary research (e.g. Estat/Cansim/Family Expenditure Survey) for a a) top-down forecast, and # of sales/day, week or month for a b) bottom-up forecast. Note: this is a key link to financial projections as shows how you arrived at you sales figures. You can refer to these forecasted figures in your financial plan section.

3) The Target Customer

First, determine if you target consumers, businesses or both. Then provide:

- A description of the **primary** target customer in terms of:
 - demographic-consumer (e.g. sex, age, income level, geographic location, occupation, education)
 - demographic-business (e.g. business size, business type, business features such as form of organization, family-run, years in business, location)
 - psychographic-consumer (lifestyle, attitudes, personality, values)
 - psychographic-business (reputation, ethics/social responsibility, awards)
 - needs, and how your product/service satisfies these needs
 - buying habits and behaviour: purchase occasion (such as special or regular), purchase frequency (such as daily, monthly, annually), preferences (such as high end, medium quality, low end products/services)
- A description of the **secondary** target customer (in the same terms as above).
- Detail who your **referral** market is (who would be a potential referral source for you such as a building supply store for a home renovations business)

C. The Competition and Strategic Position

This section indicates how your product or service is uniquely positioned in the market in relation to the competition. In this section, describe:

- Your potential competitors, including details of:
 - their strengths and weaknesses (e.g., price, characteristics of their product or service)
 - whether their business is steady, increasing, or decreasing
- Key direct competitors need to be individually evaluated by their strengths and weaknesses. Indirect competitors can be summarized as a group by their strengths and weaknesses and a list of them included in appendix if a large amount. Make it clear you have a good understanding of the competitive climate.
- What weaknesses and market gaps did you identify in the competitor analysis? A description of the market niche that you are seeking with your product or service. How will your business capitalize on these gaps?
- Risk and Risk Mitigation: Since many businesses fail, it is important to identify the major risks that are unique to your business. While it is impossible to eliminate most of these risks, it is possible, and prudent, to prepare an action plan should one of them occur. For example, if you have a single supplier of a critical material or product, have you identified potential back-up suppliers and/or a substitute material or product? Or, is it possible that the government will implement new laws or regulations that will impact your business? In this

section of your business plan, you should identify the key risks that your business will face as well as discuss potential actions that you would take to eliminate the risk; or to mitigate its impact.

D. Marketing Plan & Sales Strategy

This section explains how you will connect with your customers to sell your product or service.

- Your promotional objectives (what are you trying to achieve with your promotional strategy)
- Your promotional mix
 - personal selling, advertising, sales promotion and public relations

Be creative, even if you have a small budget (see marketing methods in text and handouts). Remember, word of mouth only works once people actually try your service/product. You first need to create a customer. Do not use word of mouth as a key strategy.

- How your target customer receives information to purchase (include items like website, brochure and business cards and can be included in above section).
- Your strategy to build a customer list/database to keep in touch with the customer's needs and receive ongoing feedback. Comment on how you develop this information in a way that is not inconvenient for the customer and respects their privacy.

E. Operations and Technology

- 1) Location: explains why you have selected your location and how it satisfies the needs of your target customers and your business. If you are working out of a home office explain why
 - How close or accessible is your location to the target market and advantages or disadvantages in terms of traffic patterns, parking, and lighting.
 - Distribution channels you plan to use to reach the target customer if you don't have a store-front location
 - How the location satisfies the exterior and interior requirements of the business (if possible, include a floor plan or photos in an appendix). Also, need to describe the size and makeup of the building and what it contains. Discuss any options for signage and if exterior has been recently upgraded. If you have photos of the place that is for rent (through realtor or mls.ca guide, good to include, or if you have developed your own plans, include in appendix)
 - How close the competition is to your location
 - The possibility for expansion
 - Whether the building is leased or owned. Indicate whether the lease has been reviewed by a lawyer (include proof of ownership or a copy of the lease in an appendix). If you are unable to get the lease agreement, state you will review it with a lawyer prior to a lease agreement being finalized.

- Whether the location is in conformity with municipal by-laws (zoning) and environmental regulations.
- 2) Equipment: details what you need for your business.
- A description of any equipment you need, its value (COSTS) and specifications (attach pictures to appendix if equipment is key to your business). This includes office equipment as well as equipment necessary to perform your service or make your product. Note: you will want to refer to this section in the financial plan when discussing your start-up costs.
 - A list of any furniture or fixtures you need for your office or your business.
- 3) Operating Costs: Prepare a detailed variable cost schedule for each manufactured product or service offering.

Note: if you are starting a manufacturing business you also need to discuss areas such as purchasing, inventory control, production and quality control, and whether you are producing all the components through your company or subcontracting out production. Explain the rationale for your decisions.

F. Management and Organization

The purpose of this section is to indicate that you have the management skills to run a business.

1) Vision/Mission/Principles

- A statement of your business vision (your Super Goal) and mission (your Super Strategy of how you get there - it is connected to your vision and your business values. Describes the product/service, who the Target Customer is, and niche or segment focus). Ensure business name is in both vision and mission statements.
- Implement a set of guiding principles (such as ethical, sustainable, social responsible, environmental practices) that your business will adhere to.

Comment on how your organization plans to integrate social responsibility and ethics into its operations.

2) Goals

- Short-term (1-year) and medium-term (3-year):
 - marketing goals and objectives (e.g. sales)
 - financial goals and objectives (e.g. profit)
 - organizational goals and objectives (e.g. employee satisfaction)

Make sure they are specific and measurable and realistic to achieve (SMART criteria) and cover all the above areas (such as hiring needs in the future, expanding or changing locations, sales targets, ROI/profit projections, new products/services launched). Include a statement on how you will monitor your progress against these goals.

3) Organization

- A description of the legal structure of the business (e.g., corporation, partnership - general or limited - or sole proprietorship).
- An organization chart and a short narrative rationale for your organizational structure.

G. Leadership & Personnel Strategy

1) Leadership Strategy

- Your strategy for building working relationships with key professionals, business leaders, organizations and other businesses (for example, complementary businesses or perhaps competitors) If you have a board of directors or business advisory board, list the members in an appendix with a brief description of their position and experience
- Describe your strategy for motivating your team to achieve business goals (e.g. involving the team in establishing and reviewing business goals and objectives, implementing a system of employee empowerment, implementing a recognition or incentive system). Also useful to talk about how management is motivated.

2) Personnel - This section describes your team and how the team can contribute to your business success.

A) List the owners/partners of your team (including yourself)

- describe the functions they will perform
- detail their strengths (e.g., skills, experience, and qualifications)
- include résumés in appendix (should be tailored for present business opportunity)

B) List the employees you will be hiring

- how many, whether they are part-time or full-time, what their duties are

H. Financial Section

The purpose of the financial section is to demonstrate, with numbers, that your idea as developed in the first seven sections of your plan will translate into a financial benefit. We suggest that you divide this section into five major subsections as described below.

1) Nature of the Business

Prepare a brief description of the business. Include a discussion of the different products and services you offer.

2) Financial Performance Indicators

Prepare a narrative summary containing the following information:

- Major assumptions about growth and profitability
- Your break-even level of sales based on profitability (vis-à-vis your income statement; this may or may not be the same as your cash break-even point)
- a statement that indicates you have enough cash to operate your business for two years.

Using your projected financial statements prepare a table showing the two year trend of the financial ratios that you will use to monitor your financial performance:

Liquidity: - Current ratio (working-capital ratio)
- Quick ratio (acid-test ratio)

Solvency: - Debt (total liabilities)-to-total assets ratio.

Profitability: - Return on Assets
- Return on Equity

Efficiency: - Contribution margin ratio
- Gross margin ratio

If your business is carrying inventory and/or receivables, also include ratios on inventory turnover and receivables turnover.

3) Application and Sources of Funds at Start-up

Include two tables indicating: (a) Application and (b) Sources of funds.

Include also a short statement that summarizes:

- (i) General Start-Up costs *
- (ii) Leasehold Improvements (organized by business segment) **
- (iii) Equipment Costs (organized by business segment) **
- (iv) Cash Reserve fund

* Include a short statement that describes the type and value of insurance listed in General Start-up Costs.

** Include a detailed quote for extensive leasehold improvements and equipment in an appendix..

4) Projected Financial Statements for two years***

A. Projected Balance Sheet Statements (Annual for Year 1 and Year 2)

Prepare annual statements for Year 1 and Year 2.

B. Projected Income Statements

Prepare annual statements for Year 1 and Year 2.

C. Projected Cash Flow

Include a monthly cash flow for the first two years.

*** Your Balance Sheet *must* be 'in balance' and all financial statements *must* be coordinated.

5) Notes to Projected Financial Statements

The notes should include the following sections and describe all assumptions concerning related to these sections. (Refer to Notes to Projected Financial Statements template)

1. Significant Accounting Policies

- Assumptions
- Accounts Receivable
- Inventory
- Amortization

2. Capital Assets – a schedule which shows the following:

- Original Cost
- Accumulated amortization
- Net book value (for each of the two years)

3. Long Term Debt

- The terms of the loan (amount, term, interest rate, annual payment
- A schedule which shows the opening balance, principal payment, and closing balance for each of the two years

4. Capital Stock (if incorporated), Partner's Capital (if a partnership), Proprietor's Capital (if a proprietorship)

5. Revenues – all assumptions as to how the revenues are earned

6. Rent – lease payments

7. Management Salaries – salaries paid to senior management, if incorporated

8. Professional fees – fees for legal and accounting services

9. Dividends (if incorporated), Partner's Draw (if a partnership), Proprietor's Draw (if a proprietorship)