



## **How To Prepare A Business Plan**

### **A Step –By – Step Guide**

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**Location & Facilities:** Where is the location of your business? You may wish to include the company address and description of your site, the size of the facility, and your equipment. Include as well your lease agreement.

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Location Features: What features make this a good location for your business?

- Adequate Parking     Easy Access     Snow Removal Service     Signage  
 High Traffic Area     Handicap Accessibility     Other \_\_\_\_\_

Could you expand your facility if required?     **Yes**                       **No**

**Prepare visual aids to show location to outsiders.**

It is often easier to describe your location to an outsider through use of maps, pictures and diagrams of the layout. Take pictures of your location and the businesses surrounding it. On a copy of a map of the area, indicate the location of your business and any major reference points. Draw an accurate diagram of your floor space. Show the location of equipment, furniture and fixtures.

**Section II**                      **Products and Services**

**Description of the Products & Services:** Briefly describe the products and/or service you business will be providing.

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**Suppliers:** Who are your main suppliers for each product?

Name of Supplier	Location	Method of Transportation







**Key Industry Trends:** What are the key trends in your industry? Trends could include changes in technology, products, markets, regulations, or economic conditions. What trends will affect supply of, or demand for, your products/services?

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**Industry Outlook:** For your industry discuss what types of products have the greatest opportunities for growth over the next three to five years and why? What product groups are expected to see a decline in sales and why?

Product	Reason for Opportunity

Product	Reason for Decline

**Section IV**

**Marketing Strategy**

**Target Markets:** In the last section you described the key market segments within you industry. Which of these customer groups or market segments will your business specifically target? Target markets are groups of potential customers, within the overall market, to whom a business wants to sell their products. You can define your target markets by type of customer and geographic location.

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**Description of Key Competitors:** There will be other businesses or competitors who are also competing for these target markets. List your key competitors and provide a brief description of their business in terms of location, products and service, marketing strategies, and market position.

Competitors	Location	Product/Service	Marketing Strategies

**Analysis of Competitive Position:** Now we want to compare your business to your competitors. In what ways will you have an advantage over your competitors and in what ways will you be at a competitive disadvantage?

Competitors Name	Advantages	Disadvantages

**Pricing Strategy:** Pricing is one of the most important decisions a business can make. It is important to look at how much it costs you to produce your goods and services; you want to make sure that your pricing strategy will enable you to make a profit over the long term. How will the pricing of your products and services compare to that of your competitors?

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**Promotion Strategy:** Having a good product or service is no guarantee of success. You have to make potential customers aware of your products and tell them how and where they can buy them. Describe how you will create awareness of your products and service.

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**Advertising:** What forms of advertising will you use? Indicate with an X.

- |                                     |                                       |   |
|-------------------------------------|---------------------------------------|---|
| <input type="checkbox"/> News Paper | <input type="checkbox"/> Internet     | <input type="checkbox"/> Bill Boards    |
| <input type="checkbox"/> Radio      | <input type="checkbox"/> Posters      | <input type="checkbox"/> Business Cards |
| <input type="checkbox"/> Television | <input type="checkbox"/> Yellow Pages | <input type="checkbox"/> Other _____    |
| <input type="checkbox"/> Flyers     | <input type="checkbox"/> Magazines    |   |
| <input type="checkbox"/> Signage    | <input type="checkbox"/> Trade Shows  |   |

**Distribution Strategy:** Discuss where your customers will be able to buy your products or service, and how will you provide customer service and after sale service?

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**Section V                      Management & Staffing**

**Organizational Structure:** Describe the management and staffing structure of your business. Discuss how many employees you currently have and how many you expect to have over the next three years.

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**Management Team:** List and give a brief description of each member of your management team, key functions, and relevant experience. Attach resumes for each member of the management team at the end of the business plan.

Name	Key Function	Experience

**Staffing:** Discuss how you will fill the key non-management jobs within your business. Highlight the qualifications and level of experience you will require, the wage rates and benefits you will pay, and what training you will provide.

Position	Qualifications/Experience	Training Provided	Wage

**Labour Market Issues:** Discuss any factors that could affect your ability to find, hire and keep employees.

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**Intellectual Property Protection:** Will your product, service or processes be protected by patents, copyrights, and/or trademarks? If so, please describe what is covered.

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**Section VI**

**Regulatory Issues**

**Regulatory Issues:** What other regulatory issues could directly affect your operation? For example, are you in a regulated industry? Will your business require licenses or permits? What steps are you taking to address these issues?

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**Market Risks:** Are there any events that could affect your customer's need or demand for your products and/or services during the term of the business plan? If yes, discuss how likely it is that these events will occur and what steps you will take to limit the impact should these events occur?

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**Other Risks:** Discuss any other risks that could affect the operation of your business and how you will overcome them. Examples of other risks include changing economic conditions, the loss of key management personnel, new government regulations, the inability to obtain needed financing, a change in technology, a change in production process and lack of qualified management and staff.

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**Section VIII**

**Implementation Plan**

**Implementation Activities and Dates:** When will the key activities and initiatives in your business plan be implemented and who will be responsible for their implementation?

<b>Key Activities</b>	<b>Implementation Date</b>	<b>Responsibility</b>



## FINANCING QUESTIONS

Every lender will want each of the following questions answered before they will loan anything. If you have answered each question you are adequately prepared.

1. How much do you need?  
To determine the answer to this question, a worksheet has been provided to help you determine the amount needed to borrow.
2. What will you do with it? What and how much will be spent on equipment, inventory, operating, land, building, furniture, fixtures etc.?
3. When will you pay it back?
4. How will you pay it back?
5. What if something goes wrong?

## 5 C's of CREDIT

### 1. Character

- ◆ Personal references, employment references, credit reference
- ◆ Is there a commitment to endure?
- ◆ What skills and experience are necessary for the business and does the person have some or most of them?

### 2. Capital/Cash

- ◆ Does the prospective entrepreneur have any cash to put into the business. No one will lend 100% of any project. Starting any business has risk and that risk must be shared.

### 3. Collateral

- ◆ What assets are available to secure the loan? What is the realistic value of the assets if they have to be sold to pay the debt? Are the assets free from other liens? Can you verify the assets? Is there a personal net worth statement?

### 4. Capacity

- ◆ Will there be enough profit to make the loan payments? Pay the operating expenses? Pay wages? Break even?

### 5. Conditions

- ◆ What are the social conditions of the area? Population? Demographics?
- ◆ What are the economic conditions? Lots of jobs or unemployment? The Compton? Trends?
- ◆ Laws and regulations and their affects?

## CASH FLOW STATEMENT

The cash flow statement is the most important financial management tool you have. It documents all cash transactions (income and expenses) that occur from month to month. It is like your personal cheque book, where you post your deposits and draw cheques against them. As with your cheque book, if you spend more than what you have, the cheque will bounce.

**The reason this statement is so useful is that it forces you not only to analyze your sources of income and expenses but to do it on a cash basis.** What if your business has seasonal peaks and valleys? Your cash-flow statement will reflect them and indicate the amount of cash reserve you must retain from the peak periods to enable you to survive the slow times. In other words, it enables you to project your cash needs and prepare in advance for times when you might need to borrow money, change your billing terms, or pay your suppliers.

Cash-flow statements are developed on a 12 month basis, but should be adjusted each month to reflect the actual cash in and cash out during that period. **The difference between your cash-flow and what actually happened is called variance.** As you calculate these variances over time. You will notice trends that will enable you to adjust your cash-flow more accurately in the future.

## PITFALLS

### Failure to update records

It is critical to keep your financial records as up-to-date as possible. For example, as you compare your projected cash sales to actual ones in your cash flow analysis, it doesn't do any good if you don't update the rest of your cash flow based on this information. Therefore, you must update your income and cash-flow statements no less than once a month, and sales receipts should be calculated every day.

### Failure to Document Assumptions

Every financial assumption, from your projected sales level to your utility bills, needs to be documented. Most expense documentation can be provided as footnotes to your cash-flow statements. This will indicate to anyone evaluating your plan that you just haven't pulled numbers from thin air. **In the case of your sales projections, detail your methodology in the market share or pricing section of the plan, and reference the location in the footnote.**

### To much Optimism

Keep your projections and estimates conservative, its always better to error on the conservative side, and possibly borrow a little more money initially, than run out of working capital because you have failed to achieve unrealistic sales forecasts. If this situation does occur, it will be difficult to borrow additional funds from the bank.

## Financial Analysis

Start-up and Operating Costs:

Give estimated cost in space provided.

### A. Operating Expenses

Advertising & Promotion	\$ _____
Automobile & Travel	\$ _____
Business Tax, Fees, Licenses	\$ _____
Property tax	\$ _____
Professional Fees	\$ _____
Owner Salaries (3 months)	\$ _____
Other salaries and wages (3 months)	\$ _____
Employee Benefits	\$ _____
Rent	\$ _____
Insurance	\$ _____
Maintenance & Repairs	\$ _____
Freight	\$ _____
Office expense, postage, etc.	\$ _____
Telephone (per month)	\$ _____
Utilities (per month)	\$ _____
Other operating expense	\$ _____
<b>Sub-Total</b>	<b>\$ _____</b>

**Total A & B**

**C \$ \_\_\_\_\_**

### B. Capital Costs

Land	\$ _____
Building	\$ _____
Renovations	\$ _____
Lease improvements	\$ _____
Equipment (purchase)	\$ _____
<b>Sub-Total</b>	<b>\$ _____</b>

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### Sources of Financing

Contributions (grants)	\$ _____
Capital	\$ _____
Operating	\$ _____
Business Support	\$ _____
Other	\$ _____
<b>D. Sub-Total</b>	<b>\$ _____</b>

### **Commercial Finance**

To determine estimated amount needed to borrow use equation  $C-F=$  amount needed.

**Bank: Line of Credit** \$ \_\_\_\_\_

**Bank: Long Term Loan** \$ \_\_\_\_\_

**Total** \$ \_\_\_\_\_

### Applicant Investment

Cash	\$ _____
Sweat Equity	\$ _____
Contributed Assets	\$ _____
Other	\$ _____
<b>E. Sub-Total</b>	<b>\$ _____</b>

**Total D + E=**

**F \$ \_\_\_\_\_**

## **Presentation Tips**

Paying attention to the preparation of the written document and the formal presentation can increase the effectiveness of your business plan.

Package together information from the eight general areas discussed and you will have a basic business plan. Use headings to organize the information into an easily readable format. The following presentation tips should help.

- Ensure that your plan is neatly typed and packaged.
- Check your plan carefully for spelling and mathematical errors.
- Understand the contents of the plan thoroughly even if parts of it were prepared with a lot of assistance from someone else.
- Make the plan realistic by including any negative aspects and their impact on your plans; but focus on the positive elements.
- Ask a trusted advisor to review your plan objectively before passing it on to the intended reader.
- Finally does the plan demonstrate:
  - ✓ **Realistic market share?**
  - ✓ **Reasonable marketing strategy?**
  - ✓ **Well planned operation?**
  - ✓ **Capable management?**
  - ✓ **Identification of all costs?**
  - ✓ **Sufficient funding for both start-up and ongoing costs?**
  - ✓ **Realistic financial forecast?**

**With all this planning being done, your business has both a greater chance of obtaining any financing you may need and becoming a success.**