



INDIGENOUS BUSINESS PLANNING WORKBOOK

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Foreword

Business Link is Alberta's entrepreneurial hub. We are a non-profit organization that helps Alberta entrepreneurs start their own businesses. We provide one-on-one support and guidance, market research, access to experts, training, networking opportunities and specialized support for Indigenous entrepreneurs.

Indigenous Services

Tax and Legal Advice

Are you considering operating a business within your First Nation community? Did you know our Indigenous Services (IS) team can provide access to accounting and legal professionals to clarify any questions you have about setting up your company correctly- accessible through our Ask an Expert service? Connect with one of our Indigenous Business Facilitators for more information.

Guidebooks

Did you know our Indigenous Services (IS) team provides informative business planning resources such as the Indigenous Business Planning Workbook and the How to Become an Independent Contractor workbook? To receive a complimentary copy, connect with one of our Indigenous Business Facilitators today.

At Business Link, we:

- Acknowledge the traditional territories, histories and communities of Treaty 6, 7, 8 and Métis Settlements, along with Inuit people within Alberta.
- Honour and respect the Indigenous circle's diverse cultures, languages, identities, and protocols of Indigenous clients and communities in both urban and rural areas, while being considerate of the Truth and Reconciliation's (TRCs) initiatives specifically [economic reconciliation](#) - especially when visiting communities within Alberta.
- Are committed to providing a holistic approach while building relationships with aspiring entrepreneurs, advancing businesses to provide access to educational tools, resources and referrals at any level of the business cycle stages.
- Are dedicated to establishing collaborative partnerships that are inclusive of Indigenous and Non-Indigenous service providers, organizations, post-secondary institutions, industry and stakeholders that share our passion of promoting Indigenous entrepreneurship, Indigenous youth and showcasing the success of Indigenous clients and communities within Alberta.

This publication is part of a series of informative guides designed for Indigenous Albertans in business. To find out more about Business Link's Indigenous Services and to request copies of our guides, contact us at:

Business Link

Toll free: 1-800-272-9675

Email: IndigenousServices@businesslink.ca Web Page: www.businesslink.ca

How to use this Business Planning Workbook

This **Business Planning Workbook** is designed to help Indigenous entrepreneurs create a business plan.

Business plans are very important tools for people starting a business. A business plan is like a road map. It shows where you want to go and gives the details on how you will get there.

Reasons for creating a business plan are:

- It helps you decide if your business idea will make a good business
- It allows you to see potential business problems before you start
- It identifies the amount and type of financing your business will need
- It makes it easier for a lender or investor to understand your business idea
- It increases your understanding of your market, customers, and competitors
- It helps you make better decisions about your business
- It improves your ability to manage your business
- It provides a customized plan for you to refer to

This workbook guides you through the 6 steps from “finding the right business idea” to “writing the business plan.”

It is highly recommended that the following steps be taken one right after another:

STEP 1 Find the right business idea.

STEP 2 Learn more about your industry, customers, and competitors.

STEP 3 Decide what the business will do.

STEP 4 Decide how the business will operate.

STEP 5 Work with financial plans.

STEP 6 Write the business plan.

Starting on page 9, information is provided about each step. Then a series of questions are asked about the business. Some of these questions you will be able to answer directly. For others, you will likely need to collect additional information to answer them in detail.

When you have finished answering all the numbered questions that apply to your business, you will be able to insert your answers in Step 6 to make a business plan. To help you along, references will be made to resources you might use to answer questions. You will also be provided with examples to guide you.

To make the most of this workbook, start at the beginning and work through it page by page to the end. The answers to the first questions will be used to answer questions that follow.

RESOURCES TO USE

Where to Do Your Research

A lot of the information required for the industry and market analysis can be found through **secondary data sources**. This is information that has been gathered by someone else but is relevant to the business you want to start.

Examples of sources and types include:

AlbertaCanada.com

Home Page: www.albertacanada.com

Description: Alberta industry overviews and profiles, economic highlights, small business highlights and other statistics and publications.

Business Link

Tel: 1 800 272-9675

Home Page: www.businesslink.ca

Description: Alberta's entrepreneurial hub. We offer advice and research, training and webinars, small business events and Indigenous Services (IS).

Industry, Science & Economic Development Canada

Tel: 1 800 328-6189

Home Page: www.ic.gc.ca

Description: Industry profiles, company directories, regulations and standards and other statistics and publications broken down by industrial category.

Statistics Canada

Tel: 1-800-263-1136

Home Page: www.statcan.ca

Description: Census Profiles (basic Census demographics for Canadian communities, including Indigenous demographics), various Indigenous -specific census data are presented including population characteristics, work, income and spending, and business and finance.

Additional Resources

1. Local public, business, and educational institution libraries

- Business Link research library
 - Euromonitor Passport (Canada)
 - FirstResearch (US)
 - Hoovers
 - PCensus
 - Reference Canada
 - IBISWorld (Canada & US)
- Trade publications / periodicals / company directories

2. Business and industry trade shows and exhibitions

Check libraries and online for:

- Show & Exhibitions Directory
- Trade Show News Network
- EventsEye

3. Magazines and newspapers

- Check libraries for related topics

4. Business professional services, e.g. accountants, lawyers, consultants, insurance brokers, bankers, economic development officers, community groups, or agents

- Aboriginal Business and Entrepreneurship Development
 - Home Page: www.aadnc-aandc.gc.ca
- Business Development Bank of Canada
 - Home page: www.bdc.ca
- Business Link Ask an Expert services
 - Home page: www.businesslink.ca

5. Other business people / known acquaintances / competition / Internet / Business and industry associations:

- Métis Nation of Alberta
- Treaty Offices
- Chambers of Commerce
- First Nation Offices
- Business Section of Telephone Directory
- Business Networking Events

6. Web resources:

- www.indigenous.alberta.ca

Information on customers can be found through both primary research and secondary research methods. **Primary research** means gathering firsthand information about your business, for example, through a survey. The information is often very local and specific to your business idea. Secondary research can be found on page 17.

Common primary research techniques include the following:

One-on-one interviews are face-to-face discussions with potential customers.

Advantages include:

- Opportunity to get additional, specific information
- Combines objective (impersonal) and subjective (personal) data

Disadvantages are:

- Requires more preparation
- Time-consuming to arrange appointments

Surveys can be done by telephone, mail, e-mail and online.

Advantages include:

- Very objective (impersonal)
- Responses can be calculated mathematically

Disadvantages are:

- Inflexible
- Time consuming to prepare

Focus Groups bring together a group of potential customers (8-12 people) to ask them questions about your proposed business, their buying habits and/or their perceptions of your products and services.

Advantages include:

- In-depth investigation is possible
- Can have completely different responses, initiating discussion, which may lead to different ideas

Disadvantages are:

- Should be run by a Professional Facilitator
- Can be costly

Other techniques include:

- Observation
- Interview other business owners out of your trading area
- Interview experts in the field such as professors, retired owners, etc.

STEP 1 Find the right business idea

The first step in finding the right business for you is to decide why you want to start a business and what skills you bring to the business.

1.1 Finding business ideas

1.1.1 Reasons for starting

Entrepreneurs and small business owners have many reasons for starting their businesses.

Most successful small businesses have the following primary reasons for starting a business:

- 1) Grab hold of an opportunity
- 2) Fulfill personal objectives
- 3) Fulfill a dream to run a business
- 4) Use experience and skills
- 5) Be your own boss
- 6) Make a living
- 7) Use previous experience
- 8) Supplement income from other employment
- 9) Create a job for yourself
- 10) Leave a frustrating job
- 11) Make lots of money

The reason to 'Make lots of money' as your main reason for starting a business may not be the best. Less than 5% of successful business owners said "Make lots of money" was the primary reason that they started their businesses. On the other hand, about 30% of business owners who failed said this was their reason for starting.

As you can see, many of these reasons can mean a lot personally to the entrepreneur. The truth is that many businesses, in the first two years, do not make as much money as the entrepreneur expects them to. If they are not doing something they like, then they will most likely give up and quit the business.

What is your primary reason for starting a business?

1.1.2 Idea search methods

Many people think that all you need to start a business is one good idea. While that may sometimes be true, the best foundation for business success is to have several possibilities for creating profits. If the main idea doesn't work, an alternative idea is available to try. It is a worthwhile activity to look at additional products and services that may make your first idea better.

Business ideas must match business opportunities. Methods for finding good business ideas can include the following:

- Listen to people who may want or need a product or service.
- Watch for good ideas in the marketplace that are being poorly done.
- Look for businesses that are successful, but not operating in your area.
- Recognize trends in the marketplace.
- Look at “why” people buy something rather than “what” they buy.
- Explore data sources that focus on business opportunities.

To identify a good business opportunity, consider these steps:

1) Create a new opportunity

You can create a new product that meets unmet market needs. For instance, Indigenous tourism is doing well because tourists enjoy experiencing Indigenous culture.

2) Use existing opportunities

Find a market that is not well served by current businesses. Learn from competitors. Their weaknesses can create a business opportunity for you. Their successes will tell you what you are up against.

3) Re-invent a product or service

It must be different from the old version, but you can market it to a different group of people or a foreign market. For example, camping might be combined with Indigenous tourism to encourage more tourists to camp.

1.1.3 Idea sources

Good ideas come from many different sources. Many people find their ideas while working in the same industry. Others take advantage of trends they see in the marketplace. Still others recognize gaps in the market or situations where existing businesses are not offering customers what they want.

The following is a brief description of some of the sources most often used by entrepreneurs in search of new business opportunities.

Work Experience

Work experience is the most common source of new business ideas. There are great advantages to starting your business in a field you already know. You know about the products and services you will provide, you understand the competition, you have some understanding of what the customer wants, and you may already know some potential customers.

Ideas from your last job can take several forms. For example, you might develop a product or service and sell it to your last employer.

Hobbies

Many people have hobbies. In many cases, your unique interests can inspire new businesses. For example, an avid sportsperson may open a sporting goods store, an amateur photographer will open a portrait studio, or a hunter may offer guiding services or may run a hunting lodge.

Observations

A fresh look at daily living situations can inspire new product or service ideas. This often occurs when people travel and observe products or services that are not yet available in their local market area. You may see these ideas, or someone you know may recognize an opportunity or unmet need.

Friends and Relatives

Discussions with those you know should not be overlooked as a source of new business ideas. Comments such as “wouldn’t it be nice if someone came up with something to do with...” or “what this place needs is” ...and other complaints and observations can provide a number of potential ideas.

Internet Searches

Many web sites focus on developing business opportunities.

Media

Read business publications and other printed sources – newspapers (both local and from other places), specialty magazines, newsletters, and trade publications – to find ideas to stimulate your entrepreneurial thinking. As well, stay alert to television and radio programming to help you identify market trends.

Conventions

Conventions are an excellent place to stimulate your creative thinking. At a convention you can learn from panels, speakers, films and exhibitions on subjects that interest you.

Trade Shows

Trade shows on the industry you wish to enter allow you to carefully examine the products and services of your potential competitors. A trade show also allows you to meet distributors and sales representatives, learn about product and market trends and identify potential products or services for your business.

Inventors' Shows

Inventors' shows give inventors and manufacturers a place to meet to discuss potential products for the marketplace.

Mentors/Coaches and Advisors

A businessperson may be willing to help you by providing advice based on their experience. The following can help you find a mentor:

- Local First Nation Economic Development Officer (EDO).
- Your own network: family, friends and acquaintances (someone you already know may have some useful business experience).
- Municipal, provincial or federal government business service providers in your area (resource people who work with local business agencies and other organizations).
- Business associations (contact your local or regional industry association, Chamber of Commerce or business group).
- Financial institutions (your banker may be able to refer you to someone who can help).
- Private-sector management consultants (on a fee-for-service basis, consultants can provide useful advice).

Information Resources

Community Futures: www.albertacf.com

- Supporting small business development and rural economic diversification in Alberta.

Rural Alberta Business Centres (RABC): www.rabc.ca

- Provide advice and information services to entrepreneurs and small businesses.

Alberta Women Entrepreneurs (AWE): www.awebusiness.com

- Provide unique programs and services to women at all stages of business.

Futurpreneur Canada: www.futurpreneur.ca

- Provide financing, mentoring and support tools to aspiring business owners aged 18-39.

Through careful observation and searching, it is possible to uncover a number of areas of opportunity. As you go about this kind of search, remember to write down your ideas as they occur to you.

What are some of the businesses you might consider starting?

1.2 Evaluating your idea

Before putting a lot of time and effort into developing a detailed business plan, you should first do a quick evaluation of the business idea. Remember, having more than one idea is okay, because if your first idea doesn't work out, then you will have other ones to explore.

1.2.1 Business idea feasibility

If you come up with more than one idea, you will need to choose which one is best to evaluate. Feasibility takes in to consideration reflect the personal goals and objectives of the owner. For example, the business idea may need to make money very quickly, or perhaps the owner does not want a business that requires travel.

Evaluate your business idea against your personal goals and objectives. The business idea that fulfills the most personal objectives should be examined first. Remember, it is very hard to evaluate more than one idea at a time.

Keeping in mind your major reason for starting a business, what are some of the personal objectives you have for the business?

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

1.2.2 Additional information needed

To evaluate an idea, ask some quick questions about the idea. Try to listen to both positive and negative comments.

Some questions might include:

- Have you shared the idea with others? What did they think of it?
- Has the idea been tried before? If it hasn't, then why not?
- If the idea has been tried, then how successful was it? Can you improve on that success?
- What funds are available to finance the idea?

1.2.3 Idea assessment

One way to assess your idea is to evaluate it by factors that are present in very positive business situations. For each factor in the following chart, rate whether “it definitely is true for your business idea,” “somewhat true” or “it is not really true.”

Positive Factor Chart

Positive statement factors	it is definitely true	somewhat true	it is not really true
The customer needs your product / service			
Customers will recognize your product / service in the marketplace			
Customers will buy your product / service frequently			
Your cost compared to your selling price is very low			
The sources for your products or raw materials for making the product are dependable			
Skilled people are available to work for the business			
All technical requirements are met			
Regulations can be fully met			
Operations are not risky			
No competition exists			
Business can start with a low investment			
You can get the money you need to start the business			
The business will hold rights on products (such as patents, licenses, or exclusive contracts)			

At this point, the two most important assessment factors are customers needing or wanting the products or services you will sell – and if you will be able to find enough money to start the business. You need to consider how your personal financial situation will allow you to invest in the startup costs and early operational costs of your new business.

Financial resources exist. *Financing Options for Indigenous Businesses in Alberta* is an excellent resource in this regard (contact Business Link for more information).

Whatever financial resources you use, however, there will be the expectation that you will be financing at least part of the business with your own money. You should examine your personal net worth in this regard.

To determine your personal net worth, do the following:

- 1) Identify and value all of the assets you own such as cash, vehicles or equity in a home;
- 2) List all of the money that you owe such as any loans you have, credit card debt, or mortgages; and
- 3) Subtract all of the money you owe from the value of all of the assets you own.

You will need a positive personal net worth before any lenders or investors will be willing to help you.

If your personal net worth is positive, you will also need to find out how much money you must take from the business to meet your daily living expenses.

Your personal financial situation is a key consideration when you are deciding on the size and the scope of your business concept.

1.2.4 Decision to proceed

If many of your assessment scores are “somewhat true” or “not really true”, you might want to think of ways to overcome the situations or look for similar or related business ideas to evaluate.

As you examine your idea, does it make sense to spend more time developing the idea?

If it does not make sense to further develop the idea, this is not an unusual situation. Many good business ideas do not make good businesses. The reasons for this can include the following:

- A business may be trying to offer products or services to people who do not understand the products or services being offered.
- The price that must be charged for a product may be more than a potential customer wants to pay.
- There may be too many competitors already offering the products or services.
- The costs to start the business are too high for the owner to finance.

If any of the above exists, you should either look at making changes to the idea, or set it aside for the time being and look for a fresh idea.

If it does make sense to further develop the idea, your next step is to start envisioning what the business will look like.

1.2.5 Skills for running a business

Many skills are used in running a business. However, having the necessary management skills is essential to survive. One of the principal reasons for small business failure is poor management. Skills needed to start a business can include the following:

- Management skills
- Problem solving skills
- Human resources understanding
- Team building skills
- Communication skills

Business owners seldom have all the skills that starting a business requires. This means the owner may need further training in particular skills, or will need to hire people with the skills required. You should think about the skills you have and the skills you will need to run the business. You may need to consider additional training before you start your business.

1.3 Creating a preliminary vision of your business

The **vision statement** is the driving force behind the business. As such, it can run from one paragraph to two pages; basically whatever it takes to describe what the business wants to achieve. There is no right or wrong in a vision statement. It should address what is important to the owner of the business.

For example, an owner may want the business to grow and then to franchise it in five years. Another example would be an owner who, after establishing the business, wants to give something back to the community.

A vision statement is not found in every business plan. More and more investors or potential partners are interested in seeing the vision statement to get a better understanding of the owner's long-term plans and personal motivations in starting the business.

Question 1: Considering the above, write out the vision you have of your business. What will it look like in five years?

STEP 2 Learn more about your industry, customers, and competitors

Putting together a business plan is a big step towards the success of your business. Good businesses are built on a solid foundation of information. In your evaluation of the business idea in STEP 1, you made a decision that your business idea is good enough that you could now move towards developing a proper business plan. If you require secondary market research expertise Business Link can provide data related to demographic information, competitor lists, financial performance ratios, consumer spending, industry news and trends and international trade data. As well we provide regulations, licensing and permit information. For more information contact our office.

The main information you will need is collected in STEP 2. It is critical that you learn more about your industry and market, your customers and your competitors. This information will help you decide what specific products and services to offer your customers. It also will help you position your business in relation to the competition. The answers to the questions in STEP 2 will be used to shape your decisions on what your business will do and how your business will be run.

2.1 Learning about your industry and market

You will need to know about both your industry and your market. An industry analysis looks at the big picture – how your industry is doing provincially, nationally and internationally. An **industry analysis** includes information about how the industry works and its characteristics, industry trends and economic trends that affect it. Your **market analysis** focuses more on your local trading area. Market analysis would include the size of your market trading area, community trends and environmental considerations.

The information needed can be obtained from many different sources. These sources include your personal knowledge and experience, libraries, the Internet, experts in the field, government organizations and others such as associations, directories, articles and suppliers. Many of the sources listed on pages 6, 7 & 8 can help you get this information.

2.1.1 Industry characteristics

Questions to consider when you are examining your industry include the following:

- **How many of the organizations in the industry are profitable?** One source for this information would be “Financial Performance Data” at: www.ic.gc.ca. Check with Business Link or your public library for other sources.
- **What are the key factors for success in your industry?**
- **What helps the good organizations succeed?** Examples: marketing, pricing, bidding, cost control, customer service and product quality.
- **Are there any barriers for a new business to enter the industry?** Examples: long-term contracts with existing contractors, bonds required.
- **What role does the government play as a regulator, customer, legislator, etc. in the industry?** Examples: a license is required to serve liquor in a restaurant; government contracts are awarded through a bidding process.

Question 2: Is the business seasonal? What are the high and low seasons?

High season months

Low season months

Question 3: After reviewing your answers to these questions, write a short paragraph describing your industry.

2.1.2 Industry trends

Industry trends help to identify business opportunities. Industries change all the time. Knowing industry trends can help you in several ways. These include:

- Uncovering a change in customer demands
- Offering the chance to be more competitive
- Providing a direction for growth in the development of new products
- Helping build your product strategies

Questions to consider when looking at your industry trends would include:

- **Is the industry growing or declining? Where will it be in five years?**
- **What are the past, present and future industry trends?**
- **Have you anticipated technological changes? How will technology changes affect the business?**
- **How dependent is your industry on another industry?** For example, the transportation industry depends on the manufacturing industry, and the restaurant industry depends on the tourism industry. It's important to be aware of these relationships.

Question 4: Summarize in a short paragraph the answers to these industry trend questions.

2.1.3 Economic trends

Many businesses are affected by economic trends. For example, high interest rates can reduce sales of homes and cars.

If your industry is affected by changes in the economy, then you should collect information on the key economic indicators that affect your industry. Forecasts of these indicators will allow you to anticipate changes in demand for your products and services.

Do the following economic situations affect the business? If so, how?

Interest rates _____

Unemployment levels _____

Cost of living changes _____

Consumer spending _____

Bankruptcies _____

Private and government investment _____

Question 5: Explain in paragraph form how the economy generally affects your industry.

2.1.4 Market Analysis

In order to analyze the market, the following questions need to be considered.

- **In geographical terms, how large is the market area you intend to serve with your products or services?**
- **If you expect the market area to grow in the next two or three years, why will this happen?**

Question 6: What is the total potential sales volume in units and dollars of the market area you described above? Sources can include data from Statistics Canada, industry associations or local government organizations. For example, the Survey of Household Spending from Statistics Canada gives you what the average family spends on a variety of consumer items. If you know the number of households in your market area, then you can determine the sales volume in dollars.

Other sources listed on pages 6, 7 & 8 can help you get this information.

-
-
- **What percentage share of this market do you hope to obtain in each of the first three years?**

Question 7: Summarize your answers to the previous questions into one or two paragraphs.

2.1.5 Community trends

A description of the community where the business will operate helps you understand the local business climate and how it may affect your business growth. This description should answer these questions.

- **In what community will the business operate?**
- **What type of economy does the community have?** Example: most of the money that people in the community are making is a result of the oil industry.
- **Will your company serve only the local market or are there opportunities to expand regionally, nationally or internationally?**

Question 8: Summarize your answers to the previous questions into one paragraph.

2.1.6 Environmental considerations

Answers on this topic will help you and others evaluate the environmental impact of your business.

Question 9: Will the business meet the standards of environmental legislation?

If this is an important issue to your business, then you should provide the names and phone numbers of the individuals you are dealing with about environmental issues and standards.

Other environmental questions should also be considered like:

- **Will the business adversely affect:**
 - ☐ Historic features? _____
 - ☐ Archaeological sites? _____
 - ☐ Unique features? _____
 - ☐ Endangered species? _____
 - ☐ Adjacent land use? _____
- **Will the business produce air contaminants, radiation or contaminated waste material?**
- **Will the business use or produce toxic chemicals or hazardous materials?**
- **Will the business affect the health or safety of humans or animals?**
- **Will the business arouse public concerns?**
- **Can any harmful effects be stopped by known technology?**

2.2 Learning about your customers

Most owner-managers begin with an idea that soon grows into a decision to offer their product or service in the marketplace. Successful marketing means knowing who your customers are, and making sure your product or service satisfies the customers' needs.

The best way to do this is to look at your market carefully and prepare a three-year plan that describes how you will approach the market and promote your product or service.

Much of this information comes from market research activities including both secondary data and primary data sources. A list of major resources of primary and secondary data can be found on pages 6, 7 & 8.

2.2.1 Customer understanding

To learn about potential customers, you must conduct market research. It is important to understand that everyone is not your customer. As a business owner, you need to target only potential customers and not everybody. This allows the business to offer greater benefits to its targeted customers.

A target market is a group of potential customers that have some common characteristics. Your target market could be other businesses or consumers. You also may have more than one target market.

One method to find your target market is as follows:

- 1) All potential customers are divided up by common characteristics. People may be divided by demographic characteristics or according to their lifestyles.
 - Common demographics include age, gender, income level, homeowner, education and ethnic background.
 - Lifestyle considerations might include hobbies, reading habits, sports activities, etc.
- 2) These various groups then can be combined to form smaller groups. For example, home renovators may be interested in middle-aged homeowners who live in older homes with moderate or high incomes.
- 3) These smaller groups are examined, and the smaller groups that have the most potential customers then become your target markets. A business can have more than one target market.

2.2.2 Target customer characteristics

Business to Business (B to B)

If you are SELLING TO OTHER BUSINESSES (B to B), answer the following questions:

Question 10: List your major potential business customers, their location, the main products or services they sell, and state how often they will purchase your products or services.

1) _____

2) _____

3) _____

4) _____

5) _____

Other questions to consider include:

Who makes the buying decisions in the companies that will buy your products or services?

What are the key factors that companies use to make their buying decisions?

Example: Is warranty work more important than the availability of products?

What prices are companies willing to pay for your products or services?

Can long-term contracts be negotiated?

What are the specific user needs of your products or services?

Question 11: Summarize the answers to these questions and considerations to describe your target business customers.

Business to Consumers (B to C)

If you are SELLING TO CONSUMERS (B to C), answer the following questions:

Question 12: What are the details on your primary target market?

Age range _____

Income range _____

Gender _____

Marital status _____

Number of children _____

Occupation _____

Location boundaries _____

Average purchase of products and services _____

Frequency of purchases _____

Reading habits _____

Leisure activities _____

Other questions to consider include the following:

Do the customers have specific needs or wants that aren't being fulfilled? What are these needs?

What are the current buying habits of your target customers? Example: customers wait until after payday to purchase clothes.

Who or what influences the purchasing decisions of your target market?

What do potential customers like about your potential competitors? What don't they like about your competitors?

Question 13: If you are selling to the consumer, summarize in two to three paragraphs the information gained from the questions and considerations.

2.3 Analyzing your competition

A key to the success of your business is establishing your share of the market. Information such as how your competitors price, market and sell their products can help you make your business different from theirs. Also, a good understanding of the competition may help you identify areas that are not yet targeted. Finally, understanding why your strongest competitors are successful will give you important information about the market's likes and dislikes.

In this section, you will identify your competitors and compare your business to your three major competitors. Be honest with yourself as you identify areas where you have a competitive advantage as well as areas for potential improvement. You will have to do some legwork and research, but don't short-cut this step. It is very important to know your competition well.

2.3.1 Competitor identification

Remember that everybody does have competition. Even if nobody else is selling the same thing you want to sell, customers are still spending their money on something and would have to spend less money on that to purchase your product or service.

Questions and considerations about your competitors can include the following:

Question 14: What are the number and size of your competitors in your market area?

One source to help you determine the number of competitors could be the business section of the telephone directory. A source to find the size of your competitors might be Hoovers or Reference Canada, a support provided through Business Link.

What is the success rate of competing businesses? One way to get this information might be to trace competitors using past years of the Business section of the telephone directory or other business directories.

The answers to **Questions 6** (p. 20) **and 14** can help you determine the average sales per competitor. Through observation and discussions with suppliers, the general amount of sales a competitor is above or below the average could identify a competitor's sales range.

Identify your major competitors.

Competitor's Name	Location	Estimated Market Volume	Estimated Market Share (%)

2.3.2 Competitive analysis

Complete a competitive analysis chart.

On a scale of 1 to 4 (where 4 is the best), rank the following factors for your business and your top three competitors.

Factors	Your Business	Competitor #1	Competitor #2	Competitor #3
Image/reputation				
Product selection				
Product quality				
Product reliability				
Product service				
Location				
Store layout				
Appearance of store				
Hours of operation				
Pricing				
Promotions				
Customer service				
Customer profile				
Customer accessibility				
Staff expertise				
Management				
Years in business				

Question 15: Summarize your competitors' strengths and weaknesses and highlight the advantages you have over your competitors.

2.3.3 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information related to competitive analysis include the following:

- Visit or call your competition and observe their set-up, customers, staff and professionalism.
- Review their promotional materials – Business section of the telephone directory, web sites, brochures, and flyers.

STEP 3 Deciding what the business will do

In STEP 3, you will make a series of decisions about exactly what your business will do. These decisions will be based upon the information you have already collected with your answers to previous questions. References will be made to previous questions to help you make your decisions.

3.1 Defining the image of your business

Your business image is how the customers see your business. The business image involves every bit of the operations. It is the appearance of a store, the way the business phone is answered, or the advertising used in promotions.

Businesses have many different images. These images are sometimes defined by the quality of products sold and their prices. For example, a premium image would involve selling high quality products at high prices.

The image of your business should match your products and fit in with the needs and wants of your target customers. It is important that your business image is consistent. Once you decide on what the image of your business will be, then everything the business does should reflect that image.

Question 16: What will the image of your business be? [Refer to answers for Questions 1 (p. 16), 13 (p. 24) and 15 (p. 26) Example: A stereo installer trying to get a car dealership contract would want to stress an image of quality workmanship with years of experience and the ability to perform the installations quickly.]

3.2 Defining your products and services in more detail

Your business is based on the products and services you sell. You should be able to describe in detail what you are selling and then show how it is different from what your competitors have to offer.

Through your industry analysis you have identified trends in the industry and opportunities in the marketplace. Your products and services should meet the needs of your potential customers.

The differences between your products and services and your competitors' are your competitive advantages.

This section describes the features and benefits of the products and services that you are selling. How will your customers use your products and services?

3.2.1 Specific products and services to offer

Here you will identify the major categories of products and/or services that your business will sell. You will answer key questions about each of these categories, and then review them to make sure they are compatible.

It is important to think of your business in terms of these categories as you make decisions, for example, about inventory, advertising and pricing.

Identify the major categories of your products and services. For example, a convenience store might have the following categories: dairy products, deli sales, cigarettes and grocery items.

- 1) _____
- 2) _____
- 3) _____
- 4) _____

What are your products and services and who are your target customers?

Your product categories should fit together well into a total business concept. What business are you really in? Are you going to be in too many markets? If you will be a producer, are the production needs of your products too different from each other or too complex? It is important that these categories blend smoothly into a cohesive business concept. Make revisions if necessary.

Question 17: In a short paragraph, write a summary of your products and services.

3.2.2 Suppliers of your products and services

Suppliers will provide the necessary materials, products and services so you can run your business. You will need to find out which suppliers will best meet the needs of your business.

Even before you start, suppliers can give you an idea of material costs and product availability. These costs must be used in decisions on your pricing strategy and in developing your financial forecasts. The terms and conditions for buying your products can also can greatly affect your operations.

The price may not always be the best reason for choosing a supplier. Other reasons you may want to consider include:

- Will the supplier be able to deliver the materials or products you need?
- Will the supplier be able to deliver on time?
- Will the supplier offer any support services such as product training?
- What will the terms and conditions be?

Questions and considerations on suppliers include the following:

Who are your main suppliers for each product category?

1) _____

2) _____

3) _____

4) _____

What are your potential suppliers' payment terms?

Examples: Cash On Delivery (C.O.D.), 30 days' credit.

Question 18: Summarize information on your suppliers.

3.2.3 Products and services margins

Question 19: What are the retail prices, costs, and margins of your product and service categories?

Product categories	Average selling price	Average costs	Margin (%)
Example: T-shirts Item that you are selling	\$10 Average price you sell each shirt for	\$6 Average amount you paid per shirt	60% or 0.60 The cost is 60% of the selling price
1.			
2.			
3.			
4.			
5.			
6.			

3.2.4 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information related to your products and services include the following:

- Trade Shows (listings in trade show directories such as *Trade Show News Network*)
- Trade Magazines
- Business Directories (e.g. *Canadian Trade Index*, and *Fraser's*)

3.3 Business processes and procedures

3.3.1 Manufacturing processes

If you are going to make your products, you need to explain the processes you will use to make them. The following are some considerations for setting up your manufacturing processes.

- Determine your equipment, material and labour requirements, as well as their price and availability.
- Consider alternate sources of raw materials.
- Estimate your inventory requirements.
- Plan for the care and handling of hazardous materials.
- Plan to move into the production phase in a timely manner.
- Investigate the protection of your product through patents or trademarks that will provide you with a stronger competitive advantage.

Your production requirements will have a direct impact on your physical location, human resources, licensing needs and time frame.

The manufacturing processes should be detailed enough to communicate what your business produces and the steps involved in production. You may wish to include a floor plan or store layout to show the flow of steps.

3.3.2 Service processes and procedures

If you are starting a service business, consider the same questions as above as they apply to your service business. Your business plan must show how the business will work and how you will provide good service to your customers while controlling your costs.

3.3.3 Retail processes

If you are starting a retail business, think about the previous considerations particularly as they apply to the amount of inventory you will need and the fact that there is a delay in time between when you order the inventory and when the inventory arrives.

Question 20: If your business is involved in manufacturing, services, or retail processes, then summarize the process used.

3.4 Considering the distribution of your products and services

Describe how your products will get to your customers and the end user (if this is different than your customer).

Distribution costs are costs related to the distribution of products or materials. These costs could include shipping, import/export duties, and/or insurance while goods are in transit.

Question 21: Outline the distribution costs for your business.

3.5 Making location decisions

This is a complete description of how and where you plan to sell your product. Your market research should reveal your customers' preferences for location.

Location is an extremely important factor for many businesses. For most retail and many small service businesses, location is critical to success. Customer access is very important when evaluating a location. For wholesale and manufacturing businesses, the availability of resources such as labour, materials, transportation and utilities can be important features of a location.

You must match your location and distribution strategy to the buying habits of your target market. For example, choosing to operate a home-based business has implications for client meetings and customer convenience.

You must make sure that your business can abide by all local level government bylaws.

3.5.1 Location characteristics

In choosing a good location, consider the following factors:

- Customer preferences
- Services (i.e. parking, access)
- Traffic counts
- Neighboring stores
- Area growth
- Cost
- Competition
- Transportation
- Image
- Security
- Property management

Questions to consider include:

What features make a good location for your business? [Refer to answers for Questions 11 (p. 23), 12 (p. 24), 13 (p. 23) and 15 (p. 26)]

What are the costs associated with your location? If leasing, are there additional costs for common area maintenance, utilities, property taxes, etc.?

3.5.2 Methods to decide on a location

One way to find a good business location is to hunt for at least three different locations. With more than one possible site, an owner can probably get a better deal from a property manager.

Use a comparison of sites to help select a good location [Refer to the answers to Questions 13 (p. 23) and 15 (p. 26)] Also ensure that your ideal client lives or works close to where you want to be located.

Comparing Locations

Location factors	Location #1	Location #2	Location #3
Lease costs			
Appearance of nearby businesses			
Traffic from nearby businesses			
Expansion possibilities			
Visibility of site			
Accessibility			
Other important factors			

Question 22: Using the previous questions, choose a location and give a detailed description of the site.

3.5.3 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information related to picking a location include the following:

- Ask your target market — your customers will tell you what they want.
- Economic Development Offices.
- Traffic counts, demographics, and zoning information by Regional and Municipal Governments.
- Commercial property managers.

3.6 Setting a pricing strategy

The price of your product relates to your costs, competition and customers. Your pricing information will determine profitability and profit margins. An effective pricing strategy can help you enter a market quickly. Your pricing strategy should be consistent with the overall image of the products and services. For example, in some instances customers will relate a lower price with lower quality, even if this is not the case.

A new business must learn the difference between price and value. Very seldom can a new business compete in price with established firms. Therefore a new business must stress value.

Considerations to make concerning your pricing include:

How do you determine the selling price? Examples: based on your competition, based on your costs.

Is your selling price higher, lower or about the same as your competitors' prices?

What products are sensitive to price changes? For example: seasonal considerations.

Does your price cover all of your costs?

Question 23: Explain your pricing strategy.

3.7 Developing a promotional strategy

The strategy you choose to communicate with your target market to obtain your sales is extremely important. You need a well-defined plan of action that includes the timing, costs and expected return of the chosen promotional techniques.

3.7.1 Promotional techniques and methods to be used

Promotional techniques include advertising, sales promotions, personal selling or publicity. Some of these techniques feature the following:

- Balloons
- Billboards
- Brochures and Pamphlets
- Bumper Stickers
- Bus and Taxi Signs
- Business Cards
- Business Lunches
- Business Networking
- Buttons
- Calendars
- Charitable Events
- Classified Ads
- Community Involvement
- Contests
- Co-Op Advertising
- Decals
- Demonstrations
- Direct Mail - Coupon Co-Op Advertising
- Discount Coupons
- Discount Premium Books
- Door Hangers
- Employee Events
- Envelopes
- Exterior Building Signs
- Fliers or Circulars
- Folders and Binders
- Free Information
- Free Trials
- Home Parties
- Internet
- Letterhead
- Magazine Ads
- Multiple Purchase Offers
- News Releases
- Newsletters
- Newspaper Inserts
- Package Inserts
- Personal Letters
- Place
- Point-Of-Purchase Signs
- Postcards
- Print on the Box/Container
- Program and Yearbook Ads
- Proposals
- Referral Incentives
- Sales Calls
- Sampling
- Sidewalk Signs
- Signs at Sporting Events
- Signs Draped on the Building
- Skywriting
- Social Media
- Special Events
- Special Sales
- Sponsorships
- Statement Stuffers
- Stickers
- Take One Racks
- Talks and Presentations
- Tape or Ribbon
- Telephone Hold Messages
- Television
- Tours
- T-Shirts
- Two-For-One Offers
- Vehicle Signs
- Video Commercials at Checkout Counters
- Video Tapes
- Window Sign

A comprehensive marketing plan is critical to your business's success. Base your plan on your analysis of the market and your competition.

Question 24: How will you promote your product or service? [Refer to answers to Questions 2 (p. 18), 3 (p. 18), 7 (p. 20), 8 (p. 21), 11 (p. 23), 12 (p. 24), 13 (p. 24) 15 (p. 26) and 16 (p. 27)].

3.7.2 Monthly promotional schedule

The timing of promotional methods will have an impact on cash flow. Questions regarding the timing and costs include the following:

When will the promotions be done? Example: a lot at the beginning of the business followed by ongoing regular promotions. **[Refer to answers for Question 2 (p. 18)]**

How much will each promotion cost?

Question 25: Create a promotions schedule. This should list all promotional activities by month for the first year of operations. Refer to the answers for the questions previously considered. The following table can be used to give a quick picture of the scope of promotions.

When deciding which promotions to choose, try to consider the amount of clients that you receive from that promotion. This type of information can be collected by asking existing clients how they heard about you, or asking them if they would be willing to take a survey.

Promotional Schedule

\$ per Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Radio													
Newspaper													
Business section of the telephone directory													
Weekly Flyer													
Magazine													
Direct Mail													
Billboard													
Signs													
Specialty Items													
Other													
TOTAL													

3.7.3 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information for your promotional strategies include the following:

- CARD (Canadian Advertising Rates and Data) is available in most libraries. It gives advertising rates and information for any media in Canada.
- Advertising agencies
- Radio stations
- Newspapers / Magazines
- Direct mail services (e.g. Canada Post)
- Marketing and Advertising books (available through your public library)
- A review of your competitors' promotional materials.

STEP 4 Deciding how the business will operate

4.1 Establishing human resource requirements

Human resource management is becoming an important activity for small business owners. In many cases, people are the productivity of the business. The better the managers and staff perform at work, the better the business operates.

4.1.1 Management roles and responsibilities

Question 26: What will the responsibilities of the manager(s) of the business be?

Other considerations for management include:

What are the key variables that management must control in this business? Examples: cash, inventory, credit, operating costs, etc.

How will the key variables be controlled?

What management assistance will be required to implement the business plan?
Examples: construction expertise, engineering, bookkeeping systems, legal work, etc.

What are the strengths and weaknesses of each member of the management team?
Be realistic and objective

What management training is required?

How will training be done? Examples: consider management courses, on-the-job training in a similar business, and so on.

If you have not yet hired all of your managers, outline your recruitment plan.

4.1.2 Staffing decisions

If you are going to hire employees or contractors, you need to take this into account when preparing your pricing and cash-flow projections. Key staffing questions include the following:

Who are the key employees?

What are their job descriptions and salaries?

What are the costs and services involved with subcontracting (shipping, inventory stocking, billing customers, payment terms, etc.)?

Will part-time staff be working in the business?

Are training programs in place or being planned for employees and managers? If so, provide general details.

How will employees be motivated?

Will employee contracts be used?

Is employment seasonal?

What staff benefit plans will be in place?

How much will you need to pay the Workers' Compensation Board to insure your employees? (See www.wcb.ab.ca/)

Question 27: If you expect to have many employees, especially part-time employees, then create a sample work schedule.

4.1.3 Professional support

Most enterprises need outside help at one time or another, but particularly during the startup phase. You may need help with finance, tax, legal, insurance, accounting, computers, human resources, management consulting, planning and so on. By using advisors, you will be able to concentrate on managing the business and leaving the ever-changing rules and regulations to the professionals.

For advisors to be of maximum benefit, you must be prepared to accept their advice. This valuable advice might not be as expensive as you think and it can pay off in the long run.

The business advisors you plan to use should address areas where your management skills are lacking.

Question 28: List all of your existing and planned business advisors.

Business Advisors

	Name	Company	Telephone
Accountants, Bookkeepers			
Tax Advisors			
Bankers			
Lawyers			
Insurance Agents			
Consultants			
Other			

4.1.4 Summary of salaries, wages and benefits

Question 29: Summarize all salaries, wages, and benefits paid to management and staff.

Salaries	Wages	Benefits

4.1.5 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information related to human resources include the following:

Canada Revenue Agency: www.cra-arc.gc.ca

Alberta Learning Information Service Guides: www.alis.alberta.ca

- Employee or Contractor? Know the Difference
- An Employer's Guide to Employment Rules

Alberta Jobs, Skills, Training and Labour Guides: www.work.alberta.ca

- Employment Standards Tool Kit for Employers

For salary rates, contact:

- Statistics Canada: www.statcan.gc.ca
- Alberta Learning Information Service's (ALIS) Occupation information: www.alis.alberta.ca
- Your industry association (see Industry Canada's Directory of Business and Trade Association/Organizations for listings)
- Potential contractors

For legal contracts, contact your lawyer.

4.2 Developing the operational plan

4.2.1 Land and buildings

Question 30: Give general details of the land and buildings to be used.

- 1) Location: _____
- 2) Approximate land size: _____
- 3) Building dimensions: _____
- 4) Age of the building: _____
- 5) Condition of the building: _____
- 6) Zoning: _____
- 7) Structure of the building: _____
- 8) Is the building designed for a special unit such as a gas station, or is it a general-purpose building? _____
- 9) What type of utility services exist? _____
- 10) Are parking facilities adequate? _____
- 11) Is there the possibility of future expansion? _____
- 12) Does the building meet fire, licensing and zoning codes for the type of business being operated from it? _____

If you plan to purchase rather than lease the land or buildings, provide the following additional information.

- 1) What is the purchase price? Land: \$_____ Building: \$_____

- 2) Was an appraisal done? ☐ Yes ☐ No

If yes, include the appraisal in the business plan.

If not, how was the purchase price established?

- 3) Is there an accepted offer to purchase? ☐ Yes ☐ No

If yes, include the offer to purchase in the business plan.

If you plan to construct or renovate a building, or make leasehold improvements, provide the following additional information.

- 1) Describe the type of construction work:

- 2) What is the total cost of construction? \$_____

- 3) What is the name of the contractor? _____

- 4) Provide a copy of the estimate or quote in the business plan.

If you plan to lease the land or buildings, provide the following information:

- 1) When does the lease expire? _____

- 2) Are there any renewal options? ☐ Yes ☐ No If so, provide details.

- 3) Amount of the annual rent: \$_____

- 4) Is the lease triple net? **Triple net** means you are responsible for costs such as taxes, insurance and utilities. ☐ Yes ☐ No

- 5) Are there any common area costs? ☐ Yes ☐ No

If so, what is the estimated amount per year? \$_____

- 6) What do the common area costs cover? _____

- 7) Has a lease or intent to lease been signed? ☐ Yes ☐ No

If yes, provide copy of signed lease for the business plan. If not, how have you made sure the land or buildings will be available under the terms and conditions you envision?

Question 31: Referring to the appropriate previous questions related to buying land and buildings, improving or constructing buildings or leasing land and buildings, summarize your situation and provide documentation for the appendices.

4.2.2 Equipment required

Question 32: If you plan to purchase equipment, provide the following information:

Type of equipment	Model number	Serial number	Age	Condition	Cost

Total Cost of Equipment \$ _____

4.2.3 Contributed assets

Question 33: If you or others are contributing assets to the business – such as equipment, furniture or vehicles – provide the following information. Some lenders or investors can see this as part of your stake in the business.

Type of assets	Model number	Serial number	Age	Condition	Value

Total Value of Contributed Assets \$ _____

4.2.4 Furniture and fixtures

Question 34: Briefly detail all the furniture and fixtures the business will need. Determine the costs and whether they will be leased or purchased.

4.2.5 Communication system

Question 35: Briefly describe the systems that will be put into place to handle both internal and external communications for the business.

For example: databases, workflow, telephone lines, and internet connections. Identify any costs associated with setting up and maintaining these communication systems.

4.2.6 Vehicles

Question 36: Describe any vehicles the business will require in order to service the customer. Determine the costs for the vehicle, its maintenance, insurance and licensing.

4.2.7 Insurance coverage

Question 37: Briefly detail the insurance coverage the business will need. Determine the costs. For example, property insurance, liability insurance, etc.

4.2.8 Banking charges

Question 38: Decide on your bank and the service package you need. List the costs.

4.2.9 Bookkeeping and accounting activities

Question 39: Describe how you will keep track of your sales and expenses and how your taxes will be done. Calculate how much these activities will cost.

4.2.10 Office supplies

Question 40: Quickly estimate the cost of office supplies for starting up as well as on an annual basis.

Remember to include things such as photocopying, stationery, postage, file folders, hangers, organizers, paper, etc. in this estimate.

4.2.11 Maintenance and repairs

Question 41: Estimate the maintenance and repair costs for land, building, equipment, furniture, fixtures, and vehicles.

4.3 Handling legal requirements

This section outlines the legal requirements for your business. It includes the legal structure of your business. It also includes the operating regulations required by all levels of government for your business startup.

Your business must meet all of its legal requirements.

4.3.1 Legal structure of the business

One decision you need to make is the form of business you will use. The basic choices are proprietorship, partnership, and incorporation. Each type of business has pros and cons as shown.

	Who	Pros	Cons
Sole Proprietor	Only you	<ul style="list-style-type: none">• Any profits are yours• Easiest to set up• Not very expensive• Possible tax benefit	<ul style="list-style-type: none">• You carry all risks• Responsible for debts—bank can seize personal assets in case of default
Partnership	You and at least one other person	<ul style="list-style-type: none">• Easy to set up• Very flexible• Partners contribute knowledge, energy and capital	<ul style="list-style-type: none">• Disagreements with partner = problems• Legal counsel advised• Partners share responsibility for debts
Incorporation	You are separate from your business (could also be multiple people)	<ul style="list-style-type: none">• Limited liability to the shareholder• May reduce taxation	<ul style="list-style-type: none">• More expensive and complicated• More paperwork and regulations to meet

Key Considerations

There are costs associated with each type of business structure. Some of the factors you should consider when choosing your form of business organization include:

- Ease of entry, i.e. costs, red tape involved
- Degree of regulations and reporting
- Need to protect non-business assets and to limit personal liability
- Taxes
- Image of the business

You may wish to employ the services of an accountant or lawyer to help you evaluate the best option.

Question 42: What legal structure will your business have? What are the costs?

4.3.2 Regulations and licenses

A wide variety of government departments at the municipal, provincial and federal levels issue business licenses and registration numbers to meet the legal requirements for setting up your business. In each province, the requirements are different. The following list is not complete, but it will give you an idea of the kinds of legal requirements you should investigate.

Municipal Government

- Land Use and Zoning
- Building Codes
- Business Permits and License

Check with municipal authorities to see that your business location is zoned correctly. You may also have to obtain a development permit to run a business from your home. If you are located on a Reserve or a Métis Settlement, contact that office for appropriate approvals.

If you are constructing a building or renovating an existing building, you will require a building permit before you start. If you are renovating an existing building, you may be required to upgrade sprinkler systems, handicap access, washrooms and so on. These requirements can be costly and must be investigated.

Provincial Government

- Business Registration
- Legal Registration or Incorporation
- Workers' Compensation Board
- Environmental Approvals
- Occupational Health and Safety

For example, food business, construction contractors, daycare and contractors are some businesses that need provincial approved licenses.

You can register your business at an authorized Alberta Registry Agent. There are also certain businesses that require a provincial business license. Contact Business Link for further information. Register with the Workers' Compensation Board if you are hiring employees. Contact Alberta Environment and Sustainable Resource Development to find out whether any environmental approvals are required. Also talk to the provincial government for details about employer and employee responsibilities concerning health and safety in the workplace. Be sure to include these costs in your financial forecast.

Federal Government

- Canada Revenue Agency (Business Number and GST number)
- Health Canada
- Canada Border Services Agency (CBSA)

A Business Number is necessary for GST, employee remittances, corporate tax, import/export permit and charities to name a few.

If you are a Status Indian operating a business on or off a Reserve, ask Canada Revenue Agency for the information that describes the exemptions allowed in certain circumstances pertaining to GST.

If you will be hiring employees, you need this Business Number to remit federal and provincial income tax deductions, unemployment insurance premiums and Canada Pension Plan contributions for your employees.

Question 43: What regulations does your business face? Give the specific details concerning regulations such as filing dates and fees. Example: A coffee shop would need a zoning permit and approvals from health and fire officials.

4.3.3 Resources to use

Common primary and secondary data sources are found on pages 6, 7 & 8.

Additional sources of information related to legal considerations include the following:

- Canada Revenue Agency Guides: www.cra-arc.gc.ca
- Web sites include:
 - www.businesslink.ca
 - www.ic.gc.ca
- Municipal economic development agencies
- Regional economic development agencies such as Community Futures organizations
- Provincial government departments and agencies
- Federal government departments and agencies
- Indigenous business service providers (*contact Business Link for more information*)
- Industry associations
- Suppliers in the industry

STEP 5 Working with financial plans

In STEP 1, you found a business idea to develop. In STEP 2, you found information on your industry, your customers and your competitors. In STEP 3, you used your research to make some sound business decisions regarding what your business is going to do, and in STEP 4, you decided how your business would operate.

In all of these steps, there were financial implications, particularly in STEPS 3 and 4. In STEP 5, you will now organize this financial information in five different information schedules. These five information reports are:

- Startup costs
- Break-even point
- Cash-flow forecast
- Income and expense statement
- Balance sheet

In building these financial schedules, it is important to keep in mind that all of the numbers used to build these schedules can be found in the information you have already researched and developed.

Working with your financial plans can be difficult. You may want some assistance. Business Link and other sources have on-line examples of the cash flow forecast, income statement, balance sheet, and business ratios. *It is also a good idea to have your financial schedules reviewed by an accountant.*

5.1 Determining startup costs

Startup costs are the initial expenditures needed to make your business operational. These costs are normally put on one schedule in a summary. Common startup costs can include the following (reference to Questions about the costs is included):

- Inventory (**Question 20**, p. 29)
- Promotional expenses including business cards, signage and brochures. [**Questions 24** (p. 37) and **25** (p. 38)].
- Land and buildings - down payment or rental deposits (**Question 31**, p. 47)
- Leasehold improvements (**Question 31**, p. 44)
- Equipment (**Question 32**, p. 45)
- Furniture and fixtures (**Question 34**, p. 46)
- Deposits for telephone and Internet services (**Question 35**, p. 46)
- Vehicles (**Question 36**, p. 46)
- Insurance (**Question 37**, p. 46)
- Office supplies (**Question 40**, p. 47)
- Legal and other professional fees [**Questions 39** (p. 47) and **42** (p. 49)]
- Licenses and permits (**Question 43**, p. 50)

Question 44: Create a schedule showing all the startup costs, the contributed assets and the remaining financial requirements for your business.

Refer to page 64 & 65 for examples of current assets vs. fixed assets.

Startup Cost Schedule

Item	Startup costs	Contributed assets	Remaining to finance
Total Fixed Assets (A)	Total	Total	Total
Total Current Assets (B)	Total	Total	Total
TOTAL ASSETS (A+B)	\$	\$	\$

Question 45: Summarize the total startup costs required in a paragraph.

5.2 Finding out how many customers you need

Finding the break-even point of your business will allow you to see how much sales you will need to cover all of your fixed or overhead expenses. This also can be converted into how many customers you will need to pay your fixed costs.

One way to do a break-even is to identify all of your costs. You then divide your costs into two categories – either fixed costs or variable costs. These two categories are discussed as follows.

5.2.1 Fixed costs

A **fixed cost** is any expense you pay that stays the same regardless of how many customers you have. For example, rent is generally a fixed cost because it doesn't fluctuate based on the number of customers you have.

Create a list of your fixed costs.

Common Fixed Costs

Amount

Startup costs (Question 44 , p. 52)	_____
Employee benefits (Question 29 , p. 41)	_____
Management salaries (Question 29 , p. 41)	_____
Other salaries & wages (Question 29 , p. 41)	_____
All other operating expenses – training, etc. (Question 29 , p. 41)	_____
Rent or mortgage (Question 31 , p. 44)	_____
Utilities (Question 31 , p. 44)	_____
Property tax (Question 31 , p. 44)	_____
Communication system (Question 35 , p. 46)	_____
Insurance (Question 37 , p. 46)	_____
Bank charges & interest (Question 38 , p. 47)	_____
Professional fees (Questions 39 , p. 47 and 42 , p. 49)	_____
Offices supplies, postage (Question 40 , p. 47)	_____
Maintenance & repairs (Question 41 , p. 47)	_____
Business tax, fees, licenses, etc. (Question 43 , p. 50)	_____
Total Fixed Costs	\$ _____

5.2.2 Variable costs

A **variable cost** increases as your sales increase. The cost of goods for acquiring new inventory is an example of a variable cost. Variable costs can be established as percentages of sales.

For example in a retail situation, as your customers buy your products and deplete your inventory, you will purchase more products to bring your inventory back to an appropriate level. This additional inventory purchase is a variable cost.

Example

You purchased 20 t-shirts for \$120, your average cost for the shirts is $\$120/20 = \6 per shirt

If you were to sell 5 of these shirts, your costs would be $5 \times \$6 = \30 for shirts for the day.

If you had sold 10 shirt instead of 5, your cost would be $10 \times \$6 = \60 for shirts for the day.

The costs for shirts changes depending on how many shirts you sold for the day.

In **Question 19** (p. 30), you have found variable cost margins for your primary products and services. These margins can be used to develop your break-even point.

Example

Your costs for the shirts is \$6 each (as it is in the above example)

You sell the shirts for \$10 each

Your variable cost percentage is: $\text{variable cost} / \text{selling price} = \$6 / \$10 = 60\%$ or 0.60

Create a list of your variable costs percentages.

Common variable costs percentages

Percentages

Cost of goods (**Question 19**, p. 30)

Distribution costs (**Question 21**, p. 32)

Sub-contractors or commission sales (**Question 29**, p. 41)

Automobile & travel expense (**Question 36**, p. 46)

Total variable costs percentages

5.2.3 Break-even point

The break-even allows you to determine the minimum sales you'll need to pay all your expenses. It can also let you determine how many customers you will need.

One definition of a break-even point is:

$$\text{Break-even point} = \frac{\text{fixed costs}}{1 - \text{variable cost percentage}}$$

An example of a break-even point follows.

Break-Even Point Example

Example 1. Selling t-shirts at a tradeshow for one day

You purchased 20 t-shirts for \$120 from your supplier. (\$120 / 20 shirts = \$6 per shirt)

- This means that your cost per shirt is \$6, which is your **variable cost**. (Your cost if 5 shirts sold for the day would be 5 x \$6 = \$30, 10 shirts would be 10 x \$6 = \$60.)

You rent a tradeshow table for \$60 for the day.

- This is your **fixed cost** because you will pay the same amount no matter how many shirts you sell.

You sell your shirts for \$10 each.

- This is your **selling price or retail price**

You can now use this information to calculate your variable cost percentage (%).

$$\text{variable cost \%} = \frac{\text{variable cost}}{\text{selling price}} = \frac{\$6 \text{ per shirt}}{\$10 \text{ per shirt}} = 60\% \text{ or } 0.60$$

This information is used to help calculate your break-even point.

$$\text{break-even} = \frac{\text{fixed costs}}{1 - \text{variable cost \%}} = \frac{\$60}{1 - 0.60} = \frac{\$60}{0.40} = \$150$$

The above example shows the break-even point to be \$150, which means that you need to sell \$150 worth of shirts to be able to cover the cost that you paid for the shirts (variable costs) and the tradeshow table (fixed costs). Since the only product that you are selling in this example is \$10, you know that you need to sell 15 shirts (\$150 / \$10 per shirt = 15 shirts) to cover all of your costs before you start to make any profit for the day.

Example 2. Selling t-shirts in a store for one month

If you decided to grow the business and sell these t-shirts in a store you may have fixed costs for rent, utilities, insurance and advertising instead of only a single cost for a tradeshow table.

Your **fixed costs** would be:

Rent and utilities	\$1,000 per month
Insurance	\$100 per month
Advertising and marketing	\$50 per month

Your **variable costs** would be:

20 t-shirts for \$120	\$6 per t-shirt
-----------------------	-----------------

Continuing with example 1, the selling price is \$10 per shirt and the variable cost % is 0.60.

$$\text{break-even} = \frac{\text{fixed costs}}{1 - \text{variable cost \%}} = \frac{\$1,150}{1 - 0.60} = \frac{\$1,150}{0.40} = \$2,850$$

In this example, you would have to make \$2,850 in sales in the month to cover the costs of rent, utilities, insurance, advertising (fixed cost) and the costs of the shirts (variable cost). Since you are selling your shirts at \$10 each, you know that you would have to sell 285 shirts (\$2850 / \$10 per shirt) to cover your costs for the month before you start to make a profit.

Question 46: Find the break-even point for your business.

5.3 Forecasting cash flow

The Cash Flow Forecast vs. the Income and Expense Statement

There is a basic distinction between a Monthly Cash Flow Forecast and a Monthly Income and Expense Statement forecast.

The Monthly Cash Flow Forecast shows all the cash the business expects to receive from every source as well as all cash payments the business expects to make. The Monthly Income and Expense Statement shows sales made and expenses to be incurred over a period of time. In many cases, the monthly and annual income and expense statements will record income before cash has actually been received (a credit sale). It does not show changes in the cash position of the business, and does not necessarily show all cash transactions, such as additional investment by the owner, dividends or payments on long-term debt.

The following example shows the difference between these two financial tools:

If you expect to sell \$100 worth of goods in March and receive payment in cash at the time of sale, the \$100 will appear as a sales receipt in your Cash Flow Forecast for March. However, if you expect to sell \$100 worth of goods in March on 30-day terms and collect the \$100 in April, the \$100 will appear as a sale in your March Income and Expense Statement—but will not appear as a cash receipt in your Cash Flow Forecast until April.

To sum up, the monthly Income and Expense Statement will give an estimate of the profitability of a business over a period of time. It cannot indicate what form that profitability will take. Specifically, will the profit show up in cash? The monthly Income and Expense Statement will not indicate whether there will be sufficient cash during the period to meet the obligations of the business.

The purpose of a Monthly Cash Flow Forecast is to determine, as closely as possible, just how much cash is needed to meet obligations. Since only cash payments and receipts are recorded - not promises, and not ultimate profitability—the cash flow budget will show the actual monthly flow of cash through the business. With this information, you will be in a position to know whether you have enough funds to make planned capital expenditures and to pay suppliers when bills are due; whether extended credit terms are necessary, or whether you need a new or increased line of credit.

5.3.1 Sales forecasting

The foundation of all business planning is sales forecasting.

Forecasting is simply the process of organizing and analyzing information in a way that makes it possible to predict what will happen in the future. At least four ways exist to forecast sales. These include the following methods:

- Determine the market size of your trading area (**Question 7**, p. 20). Determine what percentage of the market your business can do.
- Search statistical databases for financial information to help establish a realistic sales forecast (Sources referenced on pages 6, 7 & 8).
- Use your break-even sales figure as minimum sales that year (**Question 46**, p. 56)
- Find business mentors or advisors experienced in your industry (**Question 28**, p. 41)

Once you have calculated an annual sales forecast, you will need to look at each month to see how the sales change from month to month (**Question 2**, p. 18). You will need to make some assumptions about how your sales will grow from year to year (**Question 4**, p. 19).

5.3.2 Monthly income and expenses

Review your previous work (**Question 45**, p. 52). In the monthly cash flow forecast, the seasonality of sales and the cash going in and out of the business must be considered. To get a sense of which months' sales will be high, average, or low, refer to **Question 7**, p. 20. A business can have cash flows resulting from its future accounts receivable and accounts payable as described below.

Accounts Receivable

Accounts receivable is money owed to the business by customers who purchase goods on credit. An example would be a contractor who is paid some money upfront at the beginning of a project and collects the final payment when the job is finished. In this case, the contractor must anticipate a fluctuation in cash flow.

Names of Debtors	Total Amount	Current Amount	31-60 Days	61-90 Days	Over 90 Days
Total Amount					
Percentage	100%	%	%	%	%

Accounts Payable

Accounts payable is money owed to suppliers for purchases, or money owed for other expenses, like utilities or taxes, on credit. Generally, a startup business will not have access to very much credit.

Names of Creditors	Total Amount	Current Amount	31-60 Days	61-90 Days	Over 90 Days
Total Amount					
Percentage	100%	%	%	%	%

Current Portion of Long-Term Debt

The current portion of long-term debt consists of the amounts due on long- and medium-term debt over the next 12 months.

Mortgages and notes: _____

Loans from shareholders: _____

Other loans _____

5.3.3 Determining the amount of money you will need to start

A cash flow can be used to see how much money you will need to run the business for the first year at least. This is done by developing the cash flow with no starting cash. In the cash flow, an ending cash balance for each month is given. This ending balance should never be negative. If it is negative, this means the business does not have enough money that month to pay all of its bills.

Starting out with more cash, obtaining a line of credit that can make up any shortfall, or both, can change this situation.

Question 47: Create a monthly cash flow forecast for your business for its first two years.

A sample cash flow forecast form is given on the next page.

Cash Flow Forecast Month

Cash Receipts	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cash Sales													
Collection of Accounts Receivable													
Loan Proceeds													
Other Cash Receipts													
Sales of Assets													
Cash Equity													
Other Contribution													
Total Cash Receipts (A)													
Cash Disbursements													
Accounts Payable													
Purchase of materials or stock													
Purchase of fixed assets													
Advertising and promotion													
Automobile and travel expenses													
Business tax, fees, licenses, etc.													
Property tax													
Professional fees													
Management salaries													
Other salaries and wages													
Employee benefits													
Rent													
Insurance													
Payment on loans/mortgages													
Maintenance and repairs													
Freight													
Telephone													
Utilities													
Office expenses and postage													
All other operating expenses													
Income Tax payments													
Total Cash Paid Out (B)													
Opening Cash Balance (C)													
Closing Cash Balance [C + (A-B)]													

5.4 Creating income statements

As discussed in Section 5.3, the cash flow forecast is not the same as an income and expense statement. In an income and expense statement, all income and expenses are recorded as they happen, and not when they are paid for.

The income and expense statement then gives a better picture of the profits or losses that your business is generating. A sample set-up of an income and expense statement is as follows.

Projected Income and Expense

	Month												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Sales													
Revenue (a)													
Cost of goods sold (b)													
Gross Margin (a-b=A)													
Expenses													
Advertising & promotion													
Automobile & travel expense													
Bad debts													
Business tax, fees, licenses, etc.													
Property tax													
Professional fees													
Management salaries													
Other salaries & wages													
Employees benefits													
Rent													
Insurance													
Bank charges & interest													
Maintenance & repairs													
Freight													
Telephone													
Utilities													
Offices expenses, postage													
All other operating expenses													
Depreciation													
Total Expenses (B)													
Net Profit from Operations (A-B)													
Other income													
Net Profit before Tax													
Estimated tax rate													
Net Profit after Tax													

Two aspects of the Projected Income and Expense Statement are: accounting for depreciation of the business assets, and estimating a tax rate.

Depreciation

The declining method of capital cost allowance (CCA) is Canada Revenue Agency's equivalent to depreciation. Canada Revenue Agency establishes a set of percentages for different groups of assets for tax purposes. Only use one-half of the dollar value with the CCA rate in the first year of owning the assets. In the beginning of the second year, you can add back the one-half you didn't use in the first year.

Example: The CCA allowance for an automotive vehicle is currently 30% a year. Multiply the maximum rate allowed, 30% by the un-depreciated balance. Using the vehicle example, the calculated capital cost allowance is as follows:

YEAR	VALUE AT BEGINNING OF YEAR	CCA RATE %	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
1	\$12,500 (\$25,000 - \$12,500)	30%	\$3,750	\$ 8,750
2	\$21,250 (\$8,750 + \$12,500)	30%	\$6,375	\$14,875
3	\$14,875	30%	\$4,462	\$10,413

A table as below can be used to calculate your CCA.

YEAR 1

TYPE OF ASSET	VALUE AT BEGINNING OF YEAR	CCA RATE %	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
Building	\$	%	\$	\$
Equipment	\$	%	\$	\$
Vehicle	\$	%	\$	\$
Leasehold	\$	%	\$	\$
Furniture	\$	%	\$	\$

Estimated tax rates

You can estimate a tax rate for planning purposes. Consider setting a low rate of 25% on net operating income below \$200,000 and a high rate of 50% on net operating income above \$200,000. Rates can vary by individual businesses as well. You may want to consult an accountant.

Question 48: Create an annual income and expense statement for the first three years of your business and summarize the profit and loss projections.

5.5 Creating balance sheet projections

The balance sheet is a snapshot of the financial position of a business at a particular point in time - as opposed to over a period of time. It shows what the company owns, what it owes and its net worth (on the date when the Balance Sheet was prepared). Using a series of projected balance sheets - or “snapshots” - can determine the business’s worth over a period of time.

Assumptions to Balance Sheet Projections

When you prepare this statement, consider the assumptions underlying your financial plans and their effect on assets, liabilities, and owners’ and shareholders’ equity (your investment plus accumulated profits).

- Do accounts receivable reflect your current credit policy? For example, if your terms are net 30 days, are your customers paying within 30 days? Should you be allowing for 45 days in your plan to reflect real experience?
- Do you have enough inventory to fill planned orders?
- Have you adjusted figures for fixed assets and accumulated depreciation to reflect any plans for adding equipment or leaseholds?
- For long-term debt, such as mortgages or debentures, what is the current portion of the principal payable each month?
- Do trade payables reflect your established arrangements with suppliers? For example, do you usually pay within 35 days?
- Have retained earnings been adjusted monthly to reflect the planned profits or losses carried forward from the income statement?
- Are there any “hidden values” in your balance sheet? Be sure to inform your banker of market values of assets such as land, stocks, bonds and licenses.

A sample balance sheet form follows. Please note that it is presented for topics/information, not for format.

Many of the financial schedules may be hard to create for particular businesses. This may be where you will want to find help from a business service provider, a business mentor, or a small business consultant.

Note: when calculating the balance sheet and checking to see if it is correct:

$$\text{Total assets} = \text{Liabilities} + \text{Equity}$$

Question 49: Create an annual balance sheet for the next three years.

A sample balance sheet is given on the next page.

Balance Sheet
as at (date)

Assets				
	Opening		Projected	
		Year 1	Year 2	Year 3
Current assets:				
Cash and bank accounts				
Accounts receivable				
Inventory at lower of cost or market				
Prepaid expenses				
Other current assets				
Total current assets (A)				
Fixed assets:				
Land				
Buildings				
Furniture & equipment				
Leasehold improvements				
Other fixed assets				
Total fixed assets				
Less accumulated depreciation				
Net fixed assets (B)				
Total assets (A+B)				

Equity				
	Opening		Projected	
		Year 1	Year 2	Year 3
Total loans from shareholders				
Shareholders' equity				
Capital . preferred shares				
. common shares				
Retained earnings				
Total shareholders' equity				

Liabilities				
	Opening		Projected	
		Year 1	Year 2	Year 3
Current liabilities				
Bank loans				
Accounts payable				
Income taxes payable				
Other current liabilities				
Current portion of long-term debt				
Total current liabilities				
Long-term liabilities				
Mortgages & notes payable				
Other loans of a long-term nature				
Total long-term liabilities				

STEP 6 Writing the business plan

Through STEPS 1-5, you (in most cases) have gathered all of the information that you will need to write a business plan. In STEP 6, the business plan is developed with reference to the previous questions you have answered.

6.1 Formatting the business plan

Business plans come in many formats. The format used here is only a sample. Other plan formats, sample plans, and assistance in writing business plans are also available in many places. Sources for some of these places includes the following:

On-Line Resources

Great Starting Web Site

www.businesslink.ca

Organizations may provide tools to help entrepreneurs prepare professional business plans.

Business Planners

Business Plan Writer – futurpreneur

www.futurepreneur.ca

6.2 Putting the pieces together

The following business plan format will be used. Within each section of the plan, reference is made to questions you have previously answered about your business. Tips for writing particular sections and supporting documentation suggestions are also given.

6.2.1 Beginning section (Cover page, Table of Contents)

Your cover page must have all pertinent information and your table of contents must make it easy to find things in your plan.

Your cover page is a way to get your business plan noticed. Lenders see dozens, if not more, business plans a week and something as simple as putting your cover page on quality stock paper may catch their eye. The date should also appear on your cover page. You may wish to give each business plan a number so you can track how many you have given out and who still has a copy.

Your cover page should say the words "Business Plan," and should include your:

- Name and business name
- Company logo
- Address
- Telephone number
- Fax number
- E-mail address

6.2.2 Executive Summary

The **Executive Summary** will be read first by most readers. If it is not well written, it may be the last thing they read about your company. Lenders in particular read Executive Summaries before looking at the rest of a plan to determine whether or not they want to learn more about a business.

Your Executive Summary should be one to three pages long. It should include your business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners and key personnel, and highlight the potential of the business.

Executive Summary Outline

Company Overview – when and why the business was started, its history, its legal structure, its location and its mission statement.

Business Concept – the product, the market it will serve, and its competitive advantage.

Industry Analysis – industry trends and growth that will support the business.

Market Analysis – discussing the local market opportunity.

Marketing – strategies for products, pricing, distribution, and promotions.

Owners and key personnel – highlighting management, staff expertise and professional advisors.

Financial information – summarize projected sales, margins, and profits.

Financing – required financing, and owner equity position.

Tips: Create your Executive Summary *after* you have written the other sections of your plan so that you may take a few sentences from important sections and put them in your Executive Summary.

Work hard on your Executive Summary. Have several people read it—both those who know your business and those who do not—to check for clarity and presentation.

6.2.3 Company Overview

Background and History of Business

- Use the consideration in **Section 1.2** (p. 13) and your answers to **Question 1** (p. 16) to discuss why and how the business is being created.
- Use the answer to **Question 22** (p. 34) to describe the business location.

Vision Statement

The vision statement is simply a picture of where your business is going. It describes the owner's dream of where the business will be in the future and what it will look like. Look at your answer to **Question 1** (p.16). Make it into a short paragraph.

Mission Statement

The discussion of your business should begin with your **mission statement** - a one to two sentence description of the purpose of your business and to whom your product or service is targeted. A lack of clarity in your mission statement indicates that you are not clear about the purpose of your business.

Sample mission statement:

Small business consultant

To provide strategic planning services that will improve the performance and efficiency of startup small businesses and increase their chances of finding suitable financing.

Once you have your mission statement, you can then discuss the more "technical" aspects of your business. Some areas you should include are:

- What type of business is it? Wholesale? Retail? Manufacturing? Service?
- When was the company founded? What is the story behind the founding of the company? (**Section 1.2 and Question 1**, p. 13 – 16).
- What is your business' legal structure? (**Question 42**, p. 49).
- Who are the company's key people and what experience do they bring? (**Section 4.1**, p. 39 – 42).
- What market needs will you meet? (**Question 11**, p. 23) or (**Question 13**, p. 24).
- Who will you sell to? How will your products or services be sold? (**Question 24**, p. 37).

Goals and Objectives

The goals and objectives should be simple and direct. What are the sales goals? What are the profit goals? This information should come from **Question 48** (p. 62).

Products and Services Summary

- Use the answer to **Question 17** (p. 29) to give a summary of your products and services.

Legal Status

- Use the answer to **Question 42** (p. 49) to give an explanation of your legal structure. Copies of legal documents would be referenced and placed in the appendices.

6.2.4 Marketing Plan

Industry Analysis

- Use the answer to **Question 3** (p. 18) to describe your industry in the first paragraph in this section.
- Use the answer to **Question 4** (p. 19) to describe industry trends in the second paragraph in this section.
- Use the answer to **Question 5** (p. 19) to describe the relationship the economy can have on the industry in the third paragraph in this section.

Tip: Give all sources for your information. This shows you know about your industry and you have done your homework.

Market Analysis

- Use the answer to **Question 7** (p. 20) to describe your market and your predicted sales volume as the first paragraph in this section.
- Use the answers to **Question 8** (p. 21) to describe your community and your projected scope of operations as the second paragraph in this section.
- Use the answer to **Question 9** (p. 21) and the other considerations to describe any environmental impacts that your business might have as the last paragraph in this section.

Tip: Reference any primary research data you have gathered such as doing a survey and place a copy of the survey questions in the appendices.

Target Market / Customer Profiles

- If you are targeting other businesses use the answer to **Question 11** (p. 23) to describe your target market.
- If you are targeting consumers use the answer to **Question 13** (p. 24) to describe your target market.

Tip: Reference any primary research data you have gathered such as doing a survey and place a copy of the survey questions in the appendices.

Competitive Analysis

- Use the answer to **Question 14** (p. 25) to describe your competition.

Your competition analysis should be referenced and placed in the appendices.

Tip: Never say that you have no competition. Even if it may be true, no one will believe you.

Competitive Advantage of Products and Services

- Use the answer to **Question 15** (p. 26) to describe your competitive advantage.

Tip: Be specific about your advantages over your competitors. Don't say, "we will offer better service" but explain how you will do it and why it is different from your competition.

Image of Products/Services

- Use the answer to **Question 16** (p. 27) to describe your business image.

Product / Service Strategies

- Use the answer to **Question 17** (p. 29) to describe your products and services in the first paragraph in this section.
- Use the answer to **Question 18** (p. 30) to describe the relationship between your business and your suppliers in the second paragraph in this section.
- Use the answer to **Question 19** (p. 30) to describe the margin on the products and services as the next paragraph in this section. Include a chart if you wish.
- Use **Question 20** (p. 31) to describe the processes involved in the business for your last paragraph.

Tip: A diagram is helpful to show a manufacturing or service process.

Pricing Strategies

- Use the answer to **Question 23** (p. 35) to describe your pricing strategy.

Tips: If your prices will be lower than your competitors' prices, then you must state why this will be the case. Simply having lower prices while facing the same costs as your competitors will not create a good or believable profit picture. Factors that may help you to offer lower prices would be a better manufacturing or distribution system, or lower labour costs.

Many entrepreneurs say they can sell a higher-quality product for a lower price than competitors. This can make a bad impression. If the quality is higher and you're selling it at a lower price, then some people will think you are underselling the product — and therefore you are not a good business person.

Costs tend to be underestimated. Make sure your margins are high enough to handle higher costs.

Location/Distribution Strategies

- Use the answers to **Question 21** (p. 32) to describe your distribution efforts in the first paragraph in this section.
- Use the answer to **Question 22** (p. 34) to describe the specific business location and the reasons for its selection in the second paragraph in this section. A floor plan should be placed in the appendices.

Promotional Strategies/Tactics

- Use the answer to **Question 24** (p. 37) to describe your promotional strategy in the first paragraph.
- Use the answer to **Question 25** (p. 38) to describe the timing and the costs of your planned promotions with a few examples in the second and/or third paragraphs in this section.
- Reference the schedule created from **Question 25** (p. 38) and include this promotional plan in the appendices.

Tips: You might want to include some mock-up ads or brochure samples in the appendices to show your promotional ideas.

If you will be going to trade shows to promote your products, then a list and details of the trade shows should be placed in the appendices.

6.2.5 Human Resources

Management Team

- Use the answer to **Question 26** (p. 39) to describe your management team. Résumés for the top managers should be put in the appendices.

Staff

- Use the answers to **Question 27** and **Section 4.1.2** (p. 40) and other considerations to describe your staff. If a number of part-time people are employed, then a sample work schedule should be created and placed in the appendices.

Support Group

- Use the activity in **Question 28** (p. 41) to describe your professional support team of business advisors. If it is strong, it should be highlighted more.

Summary of salaries, wages and benefits

- Use the answer to **Question 29** (p. 41) to show all of the financial impact due to salaries, wages and benefits.

6.2.6 Operational Plan

Land and buildings

- Use the answers to **Question 30** (p. 43) to describe the land and building to be used in the business. Location sites and/or floor plans of buildings should be referenced and included in the appendices.
- Use **Question 31** (p. 44) to further summarize your land and building situation. Provide documents such as lease agreements in the appendices.

Equipment

- Use the answer to **Question 32** (p. 45) to show details on the equipment you will need to start the business.
- Use the answer to **Question 33** (p. 45) to show the equipment that you already own that will be used in the business.

Furniture and fixtures

- Use the answer to **Question 34** (p. 46) to show details on the furniture and fixtures you will need to start the business.
- Use the answer to **Question 33** (p. 45) to show the furniture and fixtures that you already own that will be used in the business.

Communication system

- Use the answer to **Question 35** (p. 46) to show details of your communication system.

Vehicles

- Use the answer to **Question 36** (p. 46) to give details of vehicles that will be used in the business. Use **Question 33** (p. 45) to show vehicles you already own.

Insurance

- Use the answer to **Question 37** (p. 46) to give details of insurance coverage for the business.

Bank charges

- Use the answer to **Question 38** (p. 47) to give details of banking charges.

Bookkeeping and accounting activities

- Use the answer to **Question 39** (p. 47) to give details of your bookkeeping and accounting activities.

Office supplies

- Use the answer to **Question 40** (p. 47) to give details of office supplies.

Maintenance and repairs

- Use the answer to **Question 41** (p. 47) to give details of maintenance and repair costs.

Regulations and licenses

- Use the answer to **Question 43** (p. 50) to give details on license fees.

6.2.7 Financial Statements

Startup Costs

- Use the answer to **Question 44** (p. 52) to give details on startup costs of the business.

Discussion of Financial Statements — Growth Rates and Assumptions

Your financial statements need to present a realistic picture of what is likely to happen to the business over its first three years. All dollar amounts used in the financials must match with the presentation of costs in the business plan.

Tips: Do not make unrealistic sales forecasts. Growth is usually gradual and does not take great jumps after the first year of the business.

Assumptions for your sales growth should be explained in detail.

Cash Flow Forecast

- Use the activity of **Questions 47** (p. 59) to show the cash flow forecast of the business. The actual cash flow forecast should be placed in the appendices.

Tips: Be sure your monthly cash flow forecasts relate to the seasonality of your business. Plans that show the same sales each month over a year are quite readily dismissed as being based on a lack of industry knowledge.

Make sure all categories used in the cash flow forecasts are detailed and easily found elsewhere in the plan.

Pro Forma Income Statements

- Use the activity of **Questions 48** (p. 62) to discuss the projected profit or loss of the business over the next three years. The actual pro-forma income statement should be placed in the appendices.

Balance Sheets

- Use the activity of **Questions 49** (p. 63) to discuss the assets, liabilities, and equity of the business. This could include some simple business ratios. The actual balance sheets should be placed in the appendices.

Tips: Business Link and other sources have examples on-line of the cash flow forecast, income statement, balance sheet, and business ratios. It is also a good idea to have your financial schedules reviewed by an accountant.

Financing Strategy

By figuring out how much money you need, you can then determine from where this funding will come. *Financing Options for Indigenous Businesses in Alberta* is an excellent resource in this regard (obtain from Business Link or on-line at: [www.businesslink.ca/Indigenous Services](http://www.businesslink.ca/IndigenousServices).)

Tips: Do not underestimate your financial needs. In many cases, startup costs are underestimated and sales are overestimated.

Investors will be interested in the potential return on investment.

Lenders are interested in the stability of the business and your equity position.

Break-Even Point

- Use the answer to **Question 46** (p. 56) to give details on the number of sales required to pay all of the bills.

6.2.8 Appendices

This section should include documents, charts, and schedules that support the business plan. Materials commonly found in the appendices can include:

- 1) Copies of legal documents such as leases, registrations, permits, etc.
- 2) Quotes from suppliers for purchases of equipment, vehicles, inventory, etc.
- 3) Copies of survey forms used to gather data.
- 4) Floor plans of business property.
- 5) Promotions schedule for the first year.
- 6) Résumés of managers and/or key employees.
- 7) Financial schedules including cash flow forecasts, income and expense statements, balance sheets and break-even point.

Glossary of Terms

Accounts payable unpaid bills; money owed to suppliers for goods and services purchased for business operation.

Asset entire accumulated property of a business that can be used to pay debts or expenses, including cash on hand and money owed by customers. Assets are those things a business owns.

Balance sheet statement of what a business owns and what it owes at a given time. The difference between its property including cash and its debts is shown as its net worth.

Break-even point level of sales or production needed to show neither a profit nor a loss.

Cash flow amount of money left in a given period after all income is accounted for and all cash expenses, after taxes and before depreciation, are paid.

Cost of sales or **cost of goods sold** the direct costs of acquiring and/or producing an item for sale, or of providing a service without counting overhead costs.

Current assets cash plus property to be sold or converted to cash within one year.

Current liabilities debts that will be paid within one year.

Depreciation amortization of assets (machinery, buildings, equipment) that wear out or lose value over time.

Equity the difference between the value of assets and liabilities.

Financial statements typically consists of a balance sheet, income, and expense and operating statements.

Fixed assets usually real property or depreciable materials. Buying or selling fixed assets can increase the worth of the business.

Fixed expenses predictable and firm expenses that are generally ongoing, such as building and equipment rental, utilities, and salaries.

Forecasting predicting how many units of product or service will be sold in a given time frame and at what cost to the business, and at what price to the buyer, in order to calculate the financial, material and human resources required to produce the goods or provide the services.

Gross income the sales income of a business before expenses, depreciation and taxes are deducted.

Income the total cash coming from a variety of sources such as customer payments, interest, tax credits, dividends and bonuses.

Income and expense statement a report detailing the source and amount of all income and the total cost to a business, organized and displayed in sub-headings, that can be compared month-to-month, season to season, or year to year.

Liabilities immediate and future financial obligations to creditors that expand and contract with sales success of a product or service.

Long-term liabilities debts that will not be paid off within one year.

Market analysis the process of identifying potential customers of a product or service, the size of the group, and the percentage of the market that could be captured, considering costs and competition.

Marketing strategy strategy to make potential customers aware of the goods and services of the business; includes promotion, publicity, advertising, and sales.

Negative cash flow financial condition when the expenses are greater than cash income and additional funding is needed.

Net income income left after expenses, depreciation and taxes are deducted.

Net worth the difference between the value of assets and liabilities of a business or individual.

Operating costs expenses incurred in conducting activities ordinary and necessary to the operation of the business.

Revenue the total income a business receives from all sources.

Sales forecast a prediction of the number of units of product or service a business will sell within a specific time period and at a given price.

Target market potential buyers of a product or service determined by geographic, economic, social and other characteristics.

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Website: www.businesslink.ca

Toll free: 1-800-272-9675

