

## Business Plan Guide for a Small Business

A Business Plan is a written document that describes the path of your business venture. It describes what you want to do and how you plan to do it, usually covering your business operation over a three to five year period. And as your business progresses and implements the plan it provides a measure of how your business is performing along the way.

This guide provides a basic outline of what you should include in a business plan and the questions you need to answer for your reader. This document tries to include information for all types of businesses, but every business plan is unique. In this guide we provide headings and questions to prompt you to fully explain your venture, but it's possible that not all information in this guide is suited to your business, that's ok, include the information that is relevant, and adjust the format and contents to fit your specific needs.

### Why do I need a business plan?

A business plan is your roadmap for operating your business but it is also intended for other readers, such as an investor or lender. The plan must convince you and others:

- There is a need for your business
- The business idea matches your capabilities
- Above all the business will generate enough income for you to earn a living

In the process of writing your business plan you will research and compile information about your business idea. Once you start to look at the earning potential of the business you may find the idea is not viable. A business plan is a process to test your business concept and identify risks and obstacles. Don't just consider information that supports your business model. The plan needs to:

- Identify risks
- Show you have thought the idea through
- Establish you understand how your business can succeed – even with the challenges you will face

### What a Business Plan Contains

A good Business Plan will consist of six major sections with the content in each section demonstrating your knowledge and understanding of your business and industry. Each section is supported by research and the cash flow projections for the business.

### Headings for the Six Sections

#### *1. Business Overview*

The overview is an introduction to your business and gives some background into why the business exists. Some content in this section will overlap with the other sections below, but try not to repeat information, if you cover the subject in more detail later in the business plan then don't go into detail in this section. The overview includes:

- The history of the business
- A description of what the business does
- Your vision and/or mission statement

- The ownership structure including ownership percentages if more than one owner
- Business objectives over the period covered by the plan, including measurable performance expectations
- Information on the business location, the facilities or building, and the equipment used by the business. Don't just list these items, also think about the impact they have on your business, such as the advantages and disadvantages of the location or specific equipment

### *2. Products and Services*

You need to provide the reader with detailed information about your products and/or services, including:

- Features and benefits
- Competitive advantages
- If it is a product how and where will it be produced
- The future direction or expectation for other products or services
- If your business has intellectual property; who owns it and how will you protect it
- Suppliers to your business and their pricing or payment policies. Do you have alternative suppliers and who are they

### *3. Industry Overview*

This section is about your industry generally and what the outlook is for all participants in the sector. Good sources of information for this section are trade publications or trade associations, and statistics organizations such as Stats Canada. This section is your opportunity to demonstrate the viability of your industry:

- Discuss the size and growth of the industry
- What are the segments within the industry and what are your target segments
- How do customers typically buy your type of product or service
- Are there specific types of businesses in the industry

### *4. Marketing and Sales Strategy*

This section will often refer to your market research and uses information about your industry, customers and competitors to develop a strategy. In this section you will:

- Describe your target market
  - How big is your specific market
  - How does it divide up by region by customer type
  - How you will differentiate your products or services
  - Who are your target customers or clients
  - What are their buying preferences
  - What is the expected growth of the market
  - What is your unique selling features or unique selling proposition
  - Why does your target market want or need your product or service
- Describe any seasonal trends within your industry
- Who are the competitors, think of both direct competitors and substitute products
- Provide a plan of your marketing tactics, such as tradeshow, social media marketing, networking, and print or online advertising. Include the cost associated with each tactic
- Describe how your product or services will be sold, such as storefront, online, wholesale, and your target market's buying cycle
- Include a summary of key results from your market research

When you are writing about the marketing and sales strategy for your product or service you will want to cover the 5 Ps that marketers think about. These are:

- Price  
*What is your pricing strategy and why are you using this strategy*
- Placement  
*Where will you sell your product or service and how will it get to the customer*
- Packaging  
*This is the box your product is in but is also how you might bundle your product or service in ways that are useful or valuable to your customers*
- Promotion  
*The advertising, social media and all other ways you will raise awareness about your product or service*
- People  
*Usually there are people between the company and the consumer, these people may be your employees or they may be the employees of other companies that sell your product or help you promote your service. Giving these people the knowledge and tools to effectively sell for you should be part of your business plan. The 'People' part of your plan may be in the Operations section under the subheading Human Resources, and not Marketing and Sales depending on your business.*

#### 5. Operations Plan

This section is primarily about the people who do the work and the processes they follow. It includes:

- Profile of the management team, even if it is just you
- Description of any special skills and related management or business ownership experience
- Details about your production plan if selling a product
- An overview of your day-to-day operations
- What is the layout of your business facilities
- What is your plan for hiring and training employees and a time line for when they will be hired
- What is your payment policy and process
- List any environmental issues, i.e. disposing of waste materials etc.
- Who are your other service and support providers, such as bookkeeping
- Are there any regulatory issues for your business or your location
- What are the steps, and timeline, to get where you plan to go

#### 6. Financial Plan

The financial plan is a critical part of the business plan and for many readers this is the section they will scrutinize most closely. Your financial plan will show three to five years worth of cash flow projections for your business, describe your financial needs and sources of funds, and include any financial assumptions. You should also look at your cash flow using different expectations, such as *best case*, *worst case* and *probable case*, and include potential contingency plans if cash flow does not meet expectations, you can also complete a breakeven analysis as part of the financial plan. This section will include:

- Cash flow projections
- Financial assistance requested, i.e. loan
- Repayment preferred for the loan

- Purpose of the loan (attach detailed description of any assets to be financed with cost quotations)
- Owners' equity (your level of investment and commitment to the business).

## Research and Cash Flow

Throughout the business plan there are two key sources of information to support the content, these are not separate sections in the business plan but they do influence what you include in each of the sections listed above.

### 1. Market Research

Knowing your customers, your competitors, current market conditions, and the factors that influence your market is critical to any business. To truly understand the market requires research. Your business plan needs to reflect you are making business decisions based on good information. Your research shows:

- Knowledge of your customers and your industry
- Response to your products or services from current or potential customers
- Financial projections based on realistic expectations
- Independent documentation on the size of the industry, industry segments, customer segments, buyer decision process, industry trends
- Results from your market survey and secondary research

Community Futures has an information sheet on *Market Research*, contact us for a copy, or you can download it from our website; [northfraser.org/resources](http://northfraser.org/resources).

### 2. Cash Flow

This is the month-by-month forecast of when you anticipate your revenue will come in and your expenses will go out. Your forecast should match the time covered by the business plan of three to five years. How your business generates and uses cash is certainly part of your financial plan, but this information also supports other decisions you will make about your business, such as:

- Your product or service mix
- The average sales amount and the size of the customer base required to support your business
- How revenue projections fit with your location and marketing strategy
- How you set prices compared to your competitors
- Your contingency plans to understand how you can respond to lower than expected sales

Community Futures has a *Cash Flow Template*, contact us for a copy, or you can download it from our website; [northfraser.org/resources](http://northfraser.org/resources)

## Other parts to a Business Plan

### 1. Cover Page and Table of Contents

The cover should include the basic information about to your business, such as:

- Your legal business name and your trading or operating name if different
- The business contact information
  - address
  - telephone

- e-mail
- Website

Your business plan should also include a table of contents to help users refer back to specific sections.

## 2. Supporting Documentation

Part of every business plan is the documents you need to support your proposal. The documents listed in this section and the *Financial Documents* section should be included as appendixes. Some of the information from these documents is referenced in the body of the business plan, but only include what is necessary in the plan, then refer the reader to the appendixes for more information.

Listed below are some of the things you might consider including with your plan. Keep in mind that this list may not cover everything you want to include, and may include items not relevant to your business:

- Your resume, and the resume for any partners or key staff
- Any applicable certificates or licenses
- Photos of your products and business location
- Brochures, product information sheets, or other marketing material
- Lease agreement
- Franchise agreement
- Partnership agreement
- Insurance agreement or quote
- A list of current financial obligations with terms and conditions
- Credit or business references
- Current client list or description
- Any contract agreements, letters of intent or letters of support

## 3. Financial Documents

If you need to raise funds to help finance the purchase, start up, or expansion of your business, you'll need to show the banker or investor some or all of the following information in order to secure financing:

- Aging of accounts receivable and payable
- Income Statement and Balance Sheet for past two full years and the current year to date
- Proof of current income
- Value and list of inventory
- Value and list of key assets
- A statement of personal net worth
- Outline of security available, including personal guarantee
- Source and Use of funds statement

## 4. Executive Summary (not required if you are submitting your plan to Community Futures)

Business plans often include a short summary of the content as an introduction. This section is called an Executive Summary. If you are applying to Community Futures for a loan we do not need this section, we will read your plan thoroughly so we prefer not to also read a summary. Other lenders or investors, though, may want to see this section.

### 5. Tables, Diagrams, Matrixes and Flow Charts

Using these types of visual presentations can be useful to communicate your business idea. But you need to make sure the information you are providing has value for the reader, and is relevant to your business.

One table often included in a business plan is a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). You may want to include this as a separate table, but the consideration of strengths, weakness, opportunities and threats should be part of the discussion in each of the sections of your business plan, although probably not using these exact labels.

<i>S.W.O.T. Table</i>	<b>Positive</b>	<b>Negative</b>
<b>Internal</b>	Strengths	Weaknesses
<b>External</b>	Opportunities	Threats

### 6. The Business Plan Style Guide

Remember that this is a business document – keep the formatting simple and consistent. If you centre one title, centre them all. Keep the font consistent throughout the document, choose one that is easy to read, usually around an 11pt or 12pt – not too big or too small. Titles can be larger 18pt – 24pt, and subtitles around 14pt – 16pt. If you choose to use bullets use the same ones throughout the document. Use black for your font color. It may not be as pretty or creative but that is not the point here. If your business is one where expressions of creativity are paramount then you can display it with supporting documentation.

Preparing a business plan will generate a lot of thought and a lot of paper. Keep in mind the final document is a summary of your planning process and it doesn't need to be a step by step guide to starting your business. You can refer to the source information in the document while only including specific and relevant points, or refer to documents in your appendixes. You can always refer to your working papers later on to substantiate a particular point, or respond to a specific question.

You are writing the business plan for people who understand business, but probably not your industry. Avoid industry specific jargon, keep the content concise and relevant for your reader, avoid exaggeration, and make sure you use software with spell check.