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Business Plan Template

Basic Outline for Business Planning



Create your own How to Manual to operate your business effectively, efficiently while planning for prosperity

This is your cover page

Include owner name(s) and all contact information, including business name, start date, physical location, and mailing address, email, website, social media tags, phone numbers, logo.

Business Name:

Owner(s):

Business Formation: Start date:

Physical Address:

Mailing Address:

Phone #: Cell #:

Email: Website:

Insert Social Media Tags here

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\*\*Include AN AppendiX

The *instructions* for the business plan template are in purple and green, type into the space below the instructions in black. After you have completed a section~~,~~ delete the colored instructions, making sure to leave the headings ***(if you delete a heading by mistake use the undo arrow to get it back before moving on)***.

It is a good idea to make a copy of this business plan template with its instructions, and a copy of your final business plan for submission to Community Futures, keeping the original for you. ***(never give your original a way, you need a copy of your BP and cashflow for future reference)***

A business plan non-disclosure agreement is a unilateral agreement between a Company and a secondary party known as the Recipient. Business plans are highly confidential, detailing the Company's main competitors, their marketing strategy, and their extremely sensitive financial data. ***(never give your original idea away either!)***

This document was created using Microsoft Word and is also in Adobe Acrobat (pdf) format. To update the page numbers in the Table of Contents, click anywhere on the Table (previous page), right click, select *update field* and then *update page numbers only* and the numbers will be revised.

Refer to the Frequently Asked Questions Section at the end of this Guide. Delete it before finalizing your business plan for use.

# Introduction

The introduction is the first selling tool of the business and its function is to engage the reader, grab their attention, set the tone, show the opportunity and get investors excited. The introduction is your first step in advertising your idea, and in this advertisement you get to communicate your mission, your product(s) or service(s) and your market position with a quick brushstroke. Create a catchy introduction page.

The Introduction contains a brief description of the business (product or service); explains your geographic market area; your target customer (includes demographics & market survey summaries); your unique selling proposition / why you think you are going to succeed; and what the purpose of the Business Plan is (financing, investors, selling). Are you submitting it somewhere for financing and how much do you want to borrow? Are you attracting investors? Are you selling your business?

NOTE: This section cannot be completed until all other sections have been addressed.

# Goals

## Mission Statement

Create a formal summary of the aims and values of a company, organization, or individual. "A mission statement to which all employees can subscribe". Communicates the Why. Refer to the Writing A Good Mission Statement Handout.

## Business Vision Statement

A vision statement is a company's road map, indicating what the company wants to become by setting a defined direction for the company's growth. Vision statements undergo minimal revisions during the life of a business, unlike operational goals which may be updated from year-to-year.

## Business Values Statement

A declaration that informs the customers and staff of a business about the firm's top priorities and what its core beliefs are. Companies often use a value statement to help them identify with and connect to targeted consumers, as well as to remind employees about its priorities and goals.

These statements are the heart and soul of your business. They guide your decisions, who you hire, who you service and your day to day motivations. Consider them carefully; get into the emotions of them. Why do you do what you do? Can you express this to your customers and staff?

Include in the Appendix:

* Consider posting your Mission, Vision, Values where you and your staff and possibly your customers will see it. If you choose to do this include an example (photo or marketing material) if you have created it already.

# Management

As the manager of the business, you hold the key to its success. Give a brief statement of your background as it relates to this business. Indicate the interests, skills, knowledge, experience, and abilities that you have to contribute to the business. Your resume is a great place to start gathering the information necessary to complete this section. Refer to the Management Worksheet.

List skills and weaknesses of Management:

* Knowledge of product or service
* Salesmanship skills
* Marketing experience
* Management experience
* People skills
* Accounting or bookkeeping skills
* Computer or administrative skills

Be honest in your assessment. Identify areas where you may need assistance and where and how you will get that assistance (mentors, professionals). If it is a partnership, do a list for each partner and a description of what unique areas of the business each partner will be responsible for.

Do you have other professional advisors or business mentors available?

Include it the appendix:

* Your resume
* Copies of educational certificates or diplomas and trade tickets relevant to your business.
* Partnership agreement
* List of mentors and professionals, contact info
* Strengths Weaknesses Opportunities Threats (SWOT) analysis for yourself and partners. A study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.

# Description of Product or Service

Clearly and thoroughly describe your product or service. Will you offer more than one product or service? If so describe each.

* What are the key features?
* What are the benefits to your customer?
* Is it a necessity, convenience or a luxury?
* What will customers want to know before buying?
* Why will customers buy?
* What differentiates you from the competition?
* What is your competitive advantage?

Assume the reader knows nothing! Explain any technical jargon and avoid acronyms.

Include in the Appendix:

* Pictures, drawings, diagrams
* Samples
* Brochures

# Market Research & Analysis

## Summary of Market Research

State what research methods you have completed in order to determine the level of need and demand for your idea in the marketplace and a summary of the results.

Also, you should summarize the findings that support your decision to proceed with this business plan. If there are some uncertain or unsupportive findings you should summarize how you intend to overcome these potential obstacles.

## Industry Overview

Give a general description of how your industry works and what is happening in it. Find third party (independent) research that answers these types of questions:

* Is it a growth or declining industry?
* What are the current trends?
* What are the current / future threats?
* How does the global marketplace influence this industry?
* Are there environmental concerns?
* What are the legal or regulatory issues?
* How will this industry be affected by demographic changes in our population?
* Is this industry directly related to any others that can be markers for change? E.g. New construction starts affects demand for roofers, painters, cabinet makers.

Include in the Appendix:

* A copy of important statistics, articles, blog posts, things you may want to refer to and shows how you know what you know (third party research).

## Market Survey Summary

A sample group of potential customers (general public), say 25 – 250, should be approached and interviewed for their reactions to your product or service. Refer to the market research tools on the ways to create and complete market surveys. This section is where you summarize what you learned.

Example: Market survey: surveyed 68 people. Results were: majority (76%) would purchase my product at $6.50, where only 11% would purchase it at $8.50. This led my research further to determine if there were other factors that matter to them. 89% said if it was available to purchase at a convenient store they would. Only 25% said they would seek it out. ETC!!!!

If you used mainly the interview style of survey then give a summary of what you learned.

* Be sure you survey your potential customers– your target market.
* Don’t waste your time, get useful information.

Include in the Appendix:

* Sample of the surveys you performed.
* Sample of the interview questions
* Copies of the completed surveys

## Market Support Summary

Summarize the market support that you have gathered. Keep in mind that this section is continually updated to reflect changes in your market.

Value of market support listed from best to not enough:

* Letters of intent and contracts.
* Surveys that show interest, desire information and contact. Letters from businesses or groups that think you have a good idea.
* Evidence that your idea is working in other similar areas. Contemporaries interviewed and letters from them with their opinions.
* Competitors appearing to do well doesn’t mean there is room for you.
* Making assumptions based on your opinion. This is summary, have a lot more evidence. Unless you are your best customer.

Include in the Appendix:

* Completed Letters of Intent
* Copies of Contracts
* Sample Letter of Intent
* Letters of Support
* List of people surveyed that desire to be contacted.

## Competitive Analysis

The best source of industry information is your competition and your suppliers. It is extremely important to know what everyone else is doing before you decide what you are going to do. To understand your own company’s positioning you need to thoroughly assess your competition including:

* Scope of competition – local, regional, national, international, online.
* Who is your direct or indirect competition? (An example of indirect competition is movie theatres vs video rentals.)
* Demand for product / service.
  + Are your customers happy with existing products / services?
  + Will you have to educate them about your product / service?
  + How will you overcome customer brand loyalty?

SWOT Analysis – provide an in depth SWOT (**S**trengths, **W**eaknesses, **O**pportunities, **and Threats**) analysis on your key competitors. Refer to the Guide to Market Research for details and examples.

What gives you a competitive advantage?

State all the facts and convince the reader why your business has a competitive advantage over other businesses. Consider the fact that you might have to re-educate your consumer about your product or service. Determine how you will fit into the market and how you will fill that unsatisfied need. Is there enough room in the market for you? Also evaluate the competitive barriers you face and a solution of how you plan to overcome those barriers.

Include in the Appendix:

* A copy of the letter sent to the competition.
* Market research letters received back from the competition.
* Notes regarding conversations with competitors. Printouts of emails with competitors, if relevant.
* A SWOT (Competitor Analyses) worksheet on each competitor.

## Target Market & Demographics

Some businesses sell directly to the public. You need to find out everything you can about who, what, where, when, why, how much and how often they buy.

Some businesses use retail outlets or distribution networks and not deal directly with the public. In this case who, what, where, when, why, how much and how often they buy needs to be explained in terms of both the buyer and the end user.

Include the following Demographic factors for each identified target market:

* Age – what age range would best support this business
* Sex – determine whether or not sex of the customer will affect sales
* Occupation – specific professions that would buy more readily than others
* Income Level – determine what income level you are aiming at. Is your product or service a necessity or a luxury; that may be a factor.
* Education Level- would your customers need an education or certification level to be attracted to your business?
* Residence – do your customers live in this area on a permanent basis or are they on vacation. Also review the distance consumers would have to travel to acquire your product or service.

Remember, the more you know about your target market, the less money you will waste trying to reach them.

## Market Area

What specific geographic areas do you intend to sell your products / services in?

* Locally – your town
* Regionally – describe your region
* Provincially – describe
* Online- in what manner? Your own website, other websites such as Amazon, Etsy, eBay.
* What percentage of sales do you expect from each area?

## Sales Method

How will your customers buy your products or services? Store front, person-to-person, home-based, catalogue, internet, trade shows, or distributor? Discuss and rank all means.

Will you accept cash, cheques, credit cards, debit cards, US dollars?

Will credit be extended to your customers? If so under what terms? What procedures will be in place for collection of accounts receivable? How will you determine who to extend credit to?

Include in the Appendix:

* Policy for extending credit on account.
* Policy for collecting accounts receivables.
* Quotes or contracts for tradeshows, merchant services, etc.

## Placement & Distribution

* Where will your product or service be offered and how will you distribute to your customers?
* Is your location in the right area to reach your target market?
* Are traffic flows high enough to guarantee visibility and sales?
* Is it difficult to access your location? (Second floor, no elevator? delivery truck access?)
* Are you reaching outlying markets which require a special distribution channel?
* What are the costs of distribution? Will you be working out of your home if offering a service?
* Are there considerations to your location – zoning, permits, improvements…?
* Where will your product or service be in relation to the competition? If in a retail store, discuss placement within the store.
* Where will your product or service be in relation to substitute products or services and to complimentary products or services? Physical location.

Include in the Appendix:

* Photos of location and competitors’ locations.
* Store shelves where your product will be displayed.
* Possibly a map showing location of yourself in relation to competitors and complimentary services.

## Marketing & Promotional Plan

‘If the circus is coming to town and you paint a sign saying “Circus is coming to Fairgrounds Sunday”, that’s advertising. If you put a sign on the back of an elephant and walk him through town, that’s promotion. If the elephant walks through the Mayor’s flowerbed, that’s publicity. If you can get the Mayor to laugh about it, that’s public relations. And, if you planned the whole thing, that’s marketing!’ Author unknown.

Outline the communication strategies you will use to:

1. Let your customers know you are open for business

2. Grow your business

Describe the advertising, promotion and merchandising techniques to be used and the expenditures required to attract your target market.

* How will you tell your customers about your product or service?
* Can you get free publicity for your business? Explain.
* If your marketing budget is low, how will you get the most for your dollar?
* What advertising medium will allow the majority of your customers to find out about you?
* How will you reflect your image in your promotional material? Logos, branding, design.

Describe other forms of marketing you will do and be specific: uniform or style of dress, answering the phone, approaching the customer, returning phone calls, etc.

Don’t hesitate to get creative in this area to ensure that the methods you choose work for you. Word of mouth may be the best form of advertising for you if you offer quality, however this method takes time to build momentum. How will you communicate the features and benefits of your products or services?

Include in the Appendix:

* Logo design
* Any marketing materials you have already developed – business cards, brochures, ads, signage, etc.
* Quotes for marketing materials to be created.
* Research on pricing for forms of advertising such as newspapers, radio, TV, social media, google ads, direct mail that you may be using.
* Research your competitors advertising, websites, and promotions. Are they doing a good job? Can you do a better job?
* Examples of clever advertising you like and could possibly emulate.

## 12-Month Marketing & Promotional Strategy

Use the worksheet, Marketing Plan Template 12-Month Planning Tool to complete your Marketing & Promotional Strategy. Detail what you will do each month, include the cost of the strategies. Include low / no cost promotional strategies. Be more detailed in the first few months, what exactly are you going to do. As you get further out in time, 6 – 12 months you can be less specific but definitely put in major projects like a tradeshow or website design or seasonal promotional push.

Keep in mind that you cannot do everything at once; you won’t have time and probably not the budget. Think about the objective of the specific marketing tool, for example a classified ad, what do you intend it to do, how does it fit within your overall strategy?

Marketing builds momentum – what are you working towards?

Make detailed to do lists that can be added to for ‘big’ projects such as build a website, attend a tradeshow, new product release, seasonal sale or preseason push. What will you have to do at the time, and months ahead? For example if you plan a pre-season marketing push to have sales in April, you need to do your advertising and marketing in February and March, schedule it in the 12 month marketing plan. Schedule when materials or ads will be paid for. This all correlates directly with your cash flow projection. The advertising and marketing costs go into your cash flow projection as an expense.

Include in the Appendix:

12 month marketing strategy form.

Big project to do lists.

# Business Operations

## Location

Give the exact, physical location for the business. If home based, put your home address.

If home based:

* Are there bylaws or zoning considerations at your location?
* Are there renovations that need to be done? What is the cost? What are the timelines?
* If you rent you need a letter from your landlord granting permission to operate a business from the home.

1. Do you need to find a location outside your home?
2. What are the criteria you need to fill to find the right location?
3. Will customers come to you or will you go to them?
4. What are the hours you will be open and / or available to your customers?

Include in the Appendix:

* Lease agreement
* Letter from your landlord if you are home based and rent.

## Equipment

What specific equipment is needed to operate this business? Tools, machinery, office equipment, etc.

* List what you have and what you need to purchase.
* Where will you be buying the equipment – include quotes.
* Do you have the funds to purchase the equipment or do you need financing?
* Include costs for equipment you intend to purchase in your cash flow projection.

Include in the Appendix:

* Quotes for equipment purchases.
* Receipts of recent purchases.
* List of equipment you own and the valuation, current market value.

## Office & Communication Requirements

* Telephone number with voice mail
* Email Address
* Website
* Fax number
* Facebook
* Pinterest
* Twitter

What do you need to supply your office? Do you already have these things or do you need to buy them.

* Examples of what you will need:
  + Filing system
  + Computer
  + Printer
  + Scanner
  + Invoices
  + Letter head
  + Paper and envelopes

Include in the Appendix:

* Quotes for any major purchases required.
* Examples of invoices, order forms, quote if applicable to your business.
* Any written policies around handling customer information or billing or accounting.

## Production Process/Capabilities

What is involved in producing or delivering your product or service?

Describe your complete process in great detail.

If you make a product, describe the steps to making it and then how you will deliver it to the customer (even if that is a distributor) how will you ship it, how will you package it, what are the steps?

If you provide a service how do you deliver that service, what is involved?

How many units can you create a month? How many customers can you service? What is your maximum capacity?

Include floor plans, diagrams, garden plots if applicable, ensure you have enough room for all equipment, storage and processes.

Include an estimated schedule of how your time will be spent on a monthly basis. Include billable hours, time spent marketing, doing bookkeeping, cleaning, everything that must be done.

Who will do the bookkeeping?

Who will do the year end accounting and taxes?

Where will you do your banking?

## Suppliers

Who are your suppliers? What do they supply? Include names, prices, terms and agreements.

Are there price breaks for volume? What are they? You many not meet the volume now, but you may later.

Do you have alternate suppliers?

Include in the Appendix:

* Product / price lists
* Spec sheets on products
* Shipping rate sheets
* Signed agreements
* Order sheets

## Staffing

* Do you need any employees at the time of launch?
* Will you need employees at a later date? At what point will you hire?
* What will their duties be (Job Descriptions)?
* What skills and training must / should they have (Skill Requirements)?
* Will you need full time, part time or contract workers (How does this effect your cashflow?)
* What will you pay them and when? (Provincial Employment Regulations, Employer Responsibilities)
* Have you researched getting a mandatory Canada Revenue payroll number and WorkSafe BC account? What is involved in that? What are the costs of WorkSafe BC coverage?

When you are calculating the costs for employees be sure to include an additional 15 – 20% to cover mandatory employment related costs which include WorksafeBC, employer’s portion of EI and CPP, stats and vacation pay.

Consider offering an incentive to retain employees. Provisions for time off (with pay), extended Health & Dental Plans, RRSP Plans are great employee retention tools.

* What can you afford? Or,
* Can you afford to retrain new staff regularly due to high turnover?

Retaining well trained staff reduces your operational costs, happy staff provides a higher level of service (and lower absenteeism) increasing customer satisfaction and loyalty.

Include in the Appendix:

* Job descriptions
* Employee cost calculations
* Job posting and print ads

## Guarantees/Warranties

What follow up will you do with your customers after they have used your product or service?

Will you offer guarantees? If yes, how will you express it to the customer?

How will you deliver on the guarantee?

Include in the Appendix:

* A copy of any warranty or guarantee that will be given in paper form to the customer.
* A copy of any warranty that another company provides for a product you sell or use in your operations that you warranty to your customers.

## Green Plan

How will you minimize your impact on the environment? What are your Reuse/Recycle/Return policies?

Include in the Appendix:

* Information on any products you use such as cleaners, paints, packaging, etc.
* Consider overhead expenses such as power and natural gas. What types of energy reduction measures have been put in place? Even small things like using LED Bulbs, turning off equipment or setting up automated systems all are great ways to reduce energy consumption and the expense involved.
* Consider onsite Recycling / Composting services either subcontracted or maintained in-house.

# Laws & Insurance

There are a number of rules and regulations regarding the operation of Canadian business ventures. Find out which one(s) will be applicable to your business by contacting the appropriate municipal, provincial and federal agencies.

Your industry may also be regulated by a professional association or trade association. If so, you will need to provide evidence that you have the proper training and certifications required to establish your business. If you belong to a professional or trade association, you may be required to attend professional development conferences or seminars so make sure that these costs have been included in your Cash Flow.

Ensure that you have a solid understanding of the legal/insurance requirements in your chosen field. Your business plan needs to cover all of the pertinent details in terms of legal setup so make sure that you detail your investigation into each legal requirement even if you find out it is not applicable for your business.

Refer to the Guide to Laws and Insurance when completing this part of your business plan.

## Form of Organization

Make a statement indicating the form of organization your business will assume.

Sole Proprietorship, Partnership or Corporation.

Include the following in your Appendix:

Partnership:

* Partnership agreement that states that the applicant applying for the Self-Employment Program has 51% ownership in the business.
* Resumes and job descriptions will be required for all partners in the business.

Incorporated entity:

* A copy of the incorporation certificate of the business.
* Information about the share structure that shows the applicant to the Self-Employment Program has 51% ownership of shares and is a director.
* If there are other shareholders and / or directors working in the business, then resumes and job descriptions will be required for those shareholders and directors.

## Provincial Name Search & Declaration

When naming a business, a number of different factors should be taken into account:

* Is the name chosen appropriate for the market you are targeting?
* Is the name short?
* Is the name easy to remember?
* Is the name easy to spell?
* Is the name distinctive enough to separate you from competitors?
* How will it relate to web presence? Research a domain name.
* Is it professional?
* Can your business grow and adapt with the same name?

You are required to do a Provincial Name Search if you intend to operate your business under a name other than your own personal name.

You do the name search online at [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca) or at Service BC. There is a fee. Provide three names for the name search. If all are rejected you will need to pay the fee again with new names.

Once your business name has been accepted you have a 59 day period in which to register the name for use. There is an additional fee for this.

If you have not completed the Name Search and Declaration indicate when it will be done.

Once you have paid the fee and have a Declaration you can use the OneStop Business Registration system. OneStop allows you to register for PST, GST, Payroll, Import/Export, excise tax, liquor tax all at one time. Register only for what is applicable for your business. You can register for more at a later date if you’re unsure if you will need to.

Include in Appendix:

* Copy of the Name Search and Declaration if you have completed it.

## Goods and Services Tax (GST)

A Business Identification Number is required for all businesses that are either: registering for GST, having employees or dealing with exporting/importing goods and for corporate tax accounts.

It is optional to register for GST. You must register as soon as you reach $30,000 in a consecutive 4 quarter period.

If you are registered for GST state if you are going to remit quarterly or yearly and when your next remittance is due.

If you have not registered but plan to, state when. If you don’t intend to register until you reach the $30,000 mark state that as well.

If you do not register for GST you CANNOT charge it. If you register for GST you must charge it.

Include in your Appendix: Completed GST Registration

## Provincial Sales Tax (PST)

Contact the BC Ministry of Finance (see Guide to Local Internet Links & Resources for details) to determine if you need to charge PST.

If you are not required to charge it describe your process for determining that outcome and cite the related exemption(s) or 0 tax rate regulations. Some service based businesses may have to charge PST.

If you are manufacturing a product or retailing products and you wish to purchase your raw materials / inventory tax exempt, you must provide your PST number to your suppliers in order to receive a tax exemption. Your business should only pay PST on those items consumed as a result of business operations (paper for the printer, ink for your employee’s refillable pen). PST is ONLY paid by the end user. A business does not pay PST on those items purchased for resale.

For example: A tire shop buys a tire from its supplier and is not charged PST, when the tire shop sells that tire to the customer (end user) PST is charged and remitted to the provincial Minister of Finance.

Include in the Appendix: Completed PST Registration, with number.

## Worksafe BC

Registration is mandatory if you have employees.

Sole-proprietors and partnerships have the option of applying for Personal Optional Protection.

Having Personal Optional Protection may be a requirement for your business if you wish to do business with large corporations or government agencies.

Register through One-Stop. Don’t register before you have employees.

To get a quote contact Worksafe BC [www.worksafebc.ca](http://www.worksafebc.ca)

If you are registering for Worksafe describe your industrial classification code and its rate, how often you will report your payroll and when the premium is due.

## Insurances

Insurance needs will vary greatly from business to business. Contact an insurance agent to discuss your business’ needs. Refer to the Internet Links & Resources for local providers.

Even if you have a small home-based office with no inventory and no clients coming to your door, you need to inform your insurance company that there is a home-based business there or you could void your insurance.

Some things to consider to determine insurance needs:

* Do you require only liability or general operating insurance or both?
* Is there a risk of injury at the place of your business or with the use of your product?
* Is there a chance of damage if you are offering a service at your customer’s premise?
* Are you planning to sell your products or services to the U.S?
* Do you need coverage for inventory?
* Do you need equipment coverage?
* Do you need to change or upgrade your current vehicle insurance?
* If you are renting your home based location do you have contents insurance in place? Do you have Landlord’s permission to operate in his/her property?
* Insurance may also be available through professional or industry associations.

Include in the Appendix:

* Quotes or policies for Insurance.
* Payment options.

## Municipal Licenses

If you are operating your business or providing a service within a municipality then you will need to provide information on the requirements of obtaining a Business License from the appropriate municipal office(s).

Be aware that having a business license in one community will not cover you to do work within another community. You may need to obtain additional business licenses or permits to work in other municipalities.

Include in the Appendix:

* Copy of Business Licenses
* Or applications for business licenses and when they will be obtained.

## Other Legal Requirements

Depending on the business and industry, you may be required to deal with other legal issues or certifications. Do effective research on this subject, ignorance is no defense.

Examples may include:

* Department of Health Certification
* Liquor Control Permits
* Ministry of Transport
* Building Inspections
* Fire Inspections / Regulations
* Zoning or Bylaw issues
* Provincial legislation such as Travel Assurance Fund, Direct Sales Act, etc.
* CSA Number (Canadian Standards Association)
* UPC Registration (Universal Product Code)
* Environmental Regulations
* Import / Export Regulations

Describe what you researched, where, and what you need to do about it. If you researched something thinking it was applicable and you found it was not, explain why it is not.

Include in the Appendix:

* Licensing information, permits or applications.
* Reference to governing bodies if needed for later.
* Supporting documentation.

# Financial Plan

## Cost Analysis

In order to determine the costs involved in running your business and the nature of their behavior, define your costs as being either variable or fixed.

Variable costs are costs that increase or decrease directly with the level of production or volume of service you provide.

Fixed costs (overhead) are costs that do not vary with every unit of production such as rent, advertising, loan payment, etc.

* What are your unit costs?
* List all your costs and show (mathematically) how this amount was determined.
  + What are your fixed costs?
  + What is the total monthly overhead that your business must support?
  + What are some variables that can change the cost of your product or service?

Include in the Appendix:

* Examples of cost scenarios
* Supplier price lists

## Pricing Method

* What price will you charge for your products / services?
* Indicate what you based the price on.
* How does your price compare to similar products / services?
* How do other businesses in your industry price their products / services?
* What is your pricing strategy? Explain all.

Examples:

* Lower price than competition without undercutting (undercutting is not sustainable) to gain market share
* Higher price to create a luxury demand (are you selling a Fitbit or an Apple Watch?)
* Same as competition and differentiating based on other factors?
* Strategically using discounts?
* How you anticipate price affecting monthly sales?
* What do you expect monthly sales to be?

Explain and show examples of the pricing method you employ for each different revenue generator in your business. Examples:

* Percentage Markup Method: cost + markup % = Selling price

Material cost / unit: $2.50

Labour cost / unit: $1.00

Overhead cost / unit: $0.25

= Cost / unit total $3.75

+ markup % at 75% $2.81

= Selling Price $6.56

* Competitive Pricing Method: pricing your product or service at equal to or comparable prices to your competition and also taking into consideration what the market will bear.
* Simple hourly rate charge method: set fee per hour of service.
* Contract rates method: set amount for completion of work.

There is no one size fits all solution when it comes to pricing. Consider all of the above methods when determining your method. For more assistance with this refer to your pricing worksheets from the pricing workshop.

Include in the Appendix: Pricing for all products or services, could be in spreadsheet format.

## Projected Cash Flow Budget

The Cash Flow Budget is the most useful financial tool that a small businessperson can use to see if their business will be financially viable.

A Cash Flow is a forecast showing how much, and more importantly when, money will come in and go out each month over a 12-month period of time. You are trying to predict the timing of cash coming in and out of your bank account. This will allow you to predict when and for how long you may have cash shortages. Even profitable businesses have fluctuating cash cycles. Planning for surpluses and shortfalls increases the possibility of business success.

Because the revenues and expenses of a business are **rarely** constant (i.e. seasonal in nature, credit to customers, purchases, repairs, etc.) you have to know and plan the most effective use of your cash in order to finance your day- to-day operations. By monitoring your actual business finances in comparison to your forecast you will be able to better control the financial requirements of your business.

Refer to the Cash Flow Guide for details of what goes on the cash flow spread sheet. The spreadsheet is available electronically <www.communityfutures.com/coaching>

Start your Cash Flow by figuring out what your expenses will be and work backwards to determine the level of sales or investment / loans that you will need to achieve to keep the cash flowing positively.

Show the income coming into the business the way that you think it will happen and do the same for the expense section. Consider any seasonal fluctuations that may affect sales and expense levels throughout the year. **Be realistic.** Try to think of everything that will apply to your business and then allow for unexpected expenses that are inevitable. A good rule of thumb would be to project your expenses 10% higher than what you think they will be.

The Cash Flow cannot show a cumulative deficit in any month (the very bottom line can never be less than zero). If so, you will need to show additional “Cash Received” either through loans, lines of credit, additional personal investment or you will need to reduce or defer some expenditures.

Include in the Appendix: Printout of a 12 month cash flow projection and Printout of Year 2 and 3 when applicable.

## Cash Flow Budget Assumptions

The Cash Flow must be accompanied by written assumptions. These assumptions should demonstrate how you arrived at all of the figures you show on your Cash Flow. Keep in mind that although the numbers may seem self-explanatory to you, the person reviewing the Cash Flow is seeing it for the first time. Show your calculations when applicable.

Note: A separate assumption is required for each sales and expense row occurring on the Cash Flow.

Include in the Appendix:

* Cash Flow Assumptions (can be a separate document or written directly into the business plan template.)

## Projected Income Statement(s)

A projected Income Statement will show the amount of Sales or Revenue expected to be generated from business activities, and the amount of Expenses that the business expects to pay out. The difference between Sales and Expenses will show the expected Net Income or Net Loss for the business.

The figures will be taken from the “Total” columns on your projected Cash Flow.

In the Sales section, do not include SE funding, personal investment or loans. Only include revenue generated by the business.

Cost of Goods Sold will only affect businesses that have an inventory. If you are a service business only, you may skip this section but transfer the Sales figure to the Gross Profit Line on the Income Statement.

As an Income Statement displaying only Sales and Expense data not all of the information in the Cashflow is relative. In the Expense section, do not include costs for purchases of equipment that cost more than $750, or owner’s drawings on the Income Statement. Equipment purchased over $750 with a useful life expectancy beyond a year is generally considered to be an Asset and appears on a Balance Sheet. When a business is a sole proprietorship the Owner(s) draws are not an expense and therefore do not appear anywhere other than on a Statement of Owner(s) Equity. The Net Profit or Net Loss figure on the Income Statement **will not match** the cumulative cash total on the Cash Flow budget.

Items to include in the Cost of Goods Sold Section of the Income Statement:

**Opening Inventory** – the value of any existing inventory you currently have on hand valued at cost.

**Purchases** – the total dollar value of planned inventory and packaging purchases from your Cash Flow.

**Cost of Goods Available for Sale** – Opening Inventory + Purchases.

**Ending Inventory** – the value of inventory you expect will be left on hand at the end of your first year. (Cost of Goods Sold – Cost of Goods Available for Sale).

**Cost of Goods Sold** – the value of the inventory that has been sold (Cost of Goods Available for Sale – Ending Inventory)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| PROJECTED INCOME STATEMENT EXAMPLE | | | | |
| YEAR 1 (include date)., ie., ending April 2020 | | | | |
| SALES INCOME (DO NOT INCLUDE PERSONAL INVESTMENT OR LOANS) The information below will be taken from your cashflow projections |  |  |  | **$** |
| COST OF GOODS SOLD SECTION: |  |  |  |  |
| BEGINNING INVENTORY |  | **$** |  |  |
| + PURCHASES |  | **$** |  |  |
| = COST OF GOODS AVAILABLE FOR SALE |  | **$** |  |  |
| - ENDING INVENTORY |  |  |  |  |
| = COST OF GOOD SOLD |  |  |  | **$** |
| GROSS PROFIT |  |  |  | **$** |
|  |  |  |  |  |
| OPERATING EXPENSES: (DO NOT INCLUDE OWNER’S DRAWS OR EQUIPMENT PURCHASES greater than >$750). The information below will be taken from your cashflow projections |  |  |  |  |
|  |  | **$** |  |  |
|  |  | **$** |  |  |
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|  |  | **$** |  |  |
|  |  | **$** |  |  |
| TOTAL EXPENSES |  |  |  | **$** |
| NET INCOME OR (LOSS) |  |  |  | **$** |

Include in the Appendix:

* Projected Income Statement

## Break-Even Analysis

The break-even point of your business is when you make enough sales to meet all your expenses. The purpose of determining your business’ break-even point is to assist you in finding out the minimum number of sales and relative amount of revenue you will need to generate in order to cover all expenses.

The absolute simplest way to determine this is look at the total cash out, total for the year, on your cash flow. You need to make that much money. This amount includes owner’s drawings. What does that relate to in sales, monthly, weekly, daily? How much do you need to bill out to make that?

If you have a service business it is billable hours. Write a statement that shows you clearly understand how many hours you must bill to break even.

If you have a product based business it’s a little more involved:

Step 1: Calculating Contribution: Unit selling price – unit cost = Contribution

Step 2: Calculate Gross Margin: Contribution / Unit Selling Price = Gross Margin %

Step 3: Identify your fixed and variable expenses:

Fixed expenses do not fluctuate based on the level of production. They include things such as rent, licenses, supplies, repairs, advertising, etc.

Variable expenses – fluctuate based on the level of production. They include inventory or raw material purchases, wages for production, packaging, shipping, etc.

Step 4: Calculate Breakeven Sales Dollars:

Fixed Expenses / Gross Margin % = Break Even Sales Dollars

Step 5: Calculate Break Even Sales Units if applicable.

Fixed Expenses / Contribution = Breakeven Sales Units

The most important thing to understand about breakeven, is how it actually relates to your daily work, what needs to happen?

## Projected Household Budget

Use a “Projected Household Budget” spreadsheet to determine your living expenses. This helps you determine how much you need to draw from the business and determines your breakeven analysis. Calculate owner’s draws (this is on the income side) last and draw enough from your business for your lifestyle. One of the incentives for being self-employed is to make money, if your business can afford it, draw it if you want to. As with your cash flow spreadsheet input the income and expenses as they happen and the cumulative cannot be less than zero. Consider all personal expenses; some may only happen once a year (property taxes).

The amount you ‘draw’ from your business on your personal budget should match what you spend as and expense on your Cash Flow. Owners drawings are income for you personally and an expense from your business. The numbers should match. An owner drawing money more than once per month from the business is NOT a common practice.

Include in the Appendix:

* Excel Personal Budget Spread sheet print out.

## Equity Statement

A personal equity statement shows a combination of all the things you own vs all the amounts you owe. The difference between the two equals your equity. A personal equity statement is required by the SE program and will also be required by a lender if you are applying for financing for your business.

It will also provide you with a snapshot of your financial position and help you determine if you have any contingency funds available or help you to gauge your ability to obtain financing if it becomes necessary in the future. If you do one once a year it can help you see if you are gaining equity or losing.

Include in the Appendix: Completed Equity Form

## Personal Investment List

The personal investment list will detail your personal interest or contribution to the business. It indicates the level of your personal commitment. Your investment will likely be cash and personal assets that you will be bringing to the business.

List your investment; you may include equipment, tools, supplies, materials, inventory, business furniture, office equipment, cash, financing, vehicles, etc.

Value the list based on current market value – in its current condition what you would pay for it or what you reasonably would sell it for.

Provide documentation to support the minimum investment required under the SE program (25% of your year’s funding request). The documentation can include a copy of receipts, bank statements, a letter showing that you have financing approved, a copy of your vehicle registration (if it is needed in the business), photographs of your equipment, supplies, etc.

Documentation must include proof of any and all cash & financing that you report being available for business use even if that amount exceeds the 25% required investment.

Include in the Appendix:

* Bank Balances
* Vehicle Registration
* Receipts
* Photographs

# Risk Assessment

Typically there are two types of risks – Internal and External. As the owner you have control over Internal Risk, there is no control over External Risk. Retail theft is an internal risk and can be mitigated with security measures. Pandemics, and environmental occurrences such as Flooding and Forest Fires are all External Risks that you have no control over – so make a plan to deal with each as they will happen. Take a good look at the risks involved in being self-employed in your particular business. List the risks and the contingency plan for each one.

Examples:

* What if you get sick?
* What if you get hurt?
* What if you have fewer sales than expected?
* What if you have more sales than you can handle?
* What if your supplier goes out of business or increases the cost of something?
* What if your main employee quits?
* What if a customer or an employee posts misleading information to your Social Media that harms your reputation or worse?
* What if the partnership dissolves?
* What if you divorce?

Think worst case scenario and what would you do? What can you do to mitigate it happening in the first place?

# Succession Plan/Exit Strategy

What do you intend to do with the business when you are ready to move on? How far away is that time? What do you need to put in place before then to make the transition?

Consider your succession plan in how you set your business up, the way you market your business and do everything possible to do it right from the very beginning, including the bookkeeping, borrowing and cash flow planning.

* If the plan is to sell then who could buy it, what qualifications would they need?
* Is it realistic to sell?
* What are the costs to shut down?
* How do you get out of a lease? (retail space, photocopier, business vehicle)
* Could you hire someone to run the business? (Retain ownership and delegate management)
* Consider that you may sell it when you are deciding on a name – don’t personalize it with your name.
* What are your goals for succession? Include a time frame.

Include in your appendix:

* Lease Agreement
* Family Loan agreements

# Frequently Asked Questions:

1. Where do I start?
2. Start with Market Research – the results of this will cascade throughout your business plan. Be aware that Market Research is an area that requires continual updating. Times change, customers change as do their wants and needs – never stop asking ‘who typically is my best customer and how many of them are out there’.

Q. How much information should I put into it?

A. As much as humanly possible. A Business Plan is not a concise summary. A business plan is comprised of many sections, which can be used independently as well as being part of the overall Business Plan. Your Marketing Plan is a section of the Business Plan – when used by itself it should fully describe all of its ‘moving parts’ without the need to review any other part of the Business Plan.

Q. I hate planning, it takes too much time. If I think I have a good idea with potential isn’t that enough?

A. Imagine jumping into the driver’s seat of your brand new Corvette, without ever having learned how to drive. How far do you think you’ll get before you crash and potentially burn? There’s an old saying, “Those that fail to plan, plan to fail”. Your business is your new Corvette, treat it with the respect it deserves… and educate yourself before you put it in gear.

If you’re looking for financing a business plan is a must whether its for an existing business looking to expand or a new retail business requiring inventory for start-up.