Business Planning Workbook

Community Futures East Interlake

www.eastinterlake.com

Business Name_____
Your Name:_____
Date:_____

Disclaimer: The content of these documents and the information requested is general yet contains enough information for most loan application procedures. Because of different lending requirements of each Community Futures or financial institutions, however, contacting your local Community Futures or lending institution for specific business plan information requirements is recommended (go to www.cfmanitoba.ca for a listing of your local Community Futures).

Version 2.0

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Before You Begin

Please remember that there is no right or wrong answer. A business plan should be first and foremost written by YOU! It is your road map to how you will manage and operate your business.

A well thought out business plan can make a difference in your business's success.

The business plan is a formal presentation of your business idea. It contains all the steps you will take to implement it now and for the future.

The business plan has two functions:

1. **Personal** – You will get a real sense of what you are doing and how you will do it.
2. **External** - It helps lenders, suppliers, advisors, investors and others who may assist you with start-up to understand your business.

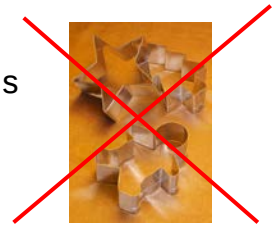
The Plan will help you:

- Take your idea and organize it in a clear, convincing manner
- Avoid common business mistakes and find hidden flaws
- Focus on key points and consider each phase of your business
- Decide what direction is right for you
- Obtain financing/investors

Why YOU should write the plan:

- You gain in-depth knowledge of your business this way, which makes it easier for you to answer lender questions and deal with issues that may come up when you start
- It clarifies what is involved in making your business successful

How to Use the Business Planning Workbook



This is a business planning guide created in a workbook format. Remember that not all businesses need all the information requested in this guide. No one business plan will work for every business. Cookie cutters are for cookies, not for business plans. This booklet is intended to present the widest possible scope, so that it fits most businesses.

Once you complete the workbook you can use sections/headings (list provided on page 3) to create a formal copy. There is no set length to your plan or the answers you provide. The lengths of plans vary depending on the complexity of the business. Once you have completed it, ask other people to read it and critique your plan. (Make sure you include a statement that says its contents are confidential and making copies is prohibited).

The final plan should be free of grammar errors, typos and spelling mistakes.

You may want to number the copies you make and keep a list of who you've given it to. A three ring binder with tabs and indexes can be a good way to finish your plan.

Business Plan Sections / Headings

1. Title Page
2. Executive Summary
3. Business Description
4. Service or Products
5. Marketing Plan
6. Operations & Location
7. Management
8. Financial Plan
9. Risk Analysis
10. Appendix(es)

Why an Appendix?

The appendix comes at the end of the business plan and includes all of the documents and additional support information for the plan. It will include things such as leases, partnership agreements, drawings, site plan, etc.

Title Page

Include a logo if you have one, or begin to think about what a logo would look like.

Your Name:_____

Your Title:_____

Business Name:_____

Main Business Address:_____

_____

Phone Number:_____

Cell Phone: _____

Email: _____

Website:_____

Prepared Document Date: _____

Copy Number and/or Revision Number of plan:_____

Table of Contents - Insert after you have completed the plan.

Legal Page – Confidentiality Agreement

The undersigned reader acknowledges that the information provided by _____ in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of _____.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader may cause serious harm or damage to _____.

Upon request, this document is to be immediately returned to _____.

_____
Signature

_____
Name (typed or printed)

_____
Date

This is a business plan. It does not imply an offering of securities.

Executive Summary

Your cover letter gives a snapshot of your business plan in about one or two pages.

Complete after you have written your plan!

This is a summary of your business plan. Depending on the audience, you should either provide a brief summary of your business or write it from a sales perspective, to sell your business idea to an investor, financial institution etc. The Executive Summary Includes:

1. Amount of Funds you are requesting.
2. Business and owners name.
3. Summary of management experience
4. Products and services – Talk about the products or services you offer and what makes you different. It is a quick recap of major points.
5. Market Summary – Explain target market, why your customers will choose you and who your market is, including industry and growth.
6. Amount of funds you are investing
7. Financial Summary – Discuss sales forecasts and why you will reach them and when you will see a profit.

Business Description

Business Number: _____

PST Registration Number: _____

GST Registration Number: _____

WCB Number: _____

What type of business will you run?

- ☐ Sole Proprietorship
- ☐ Partnership
- ☐ Corporation
- ☐ Non-Profit Corporation
- ☐ Co-operative
- ☐ Franchise

Name of Owner(s) (Sole Proprietorship, Partnership) or Shareholders (Corporation)	Position / Title E.g. Manager, Chair etc.	Experience / credentials	% of Ownership E.g. 51%, 100%

Date business was/is expected to be registered or incorporated:

_____

Describe your product or service in detail:

_____

Describe the purpose of your business. (You can also think of this as your mission). What are you doing and for whom? E.g. Provide specialized parts for cars that will be sold directly to service stations.

How is your business different from other businesses? (Uniqueness/niche) Describe your product or service's Key Features – Why will customers choose to buy your product and/or service instead of another company's? What makes your product/service unique, and how does it differ from your competition?

What **need or want** does your product or service satisfy? Why will people buy it? (E.g. need for shelter, social status, fun, entertainment)

Describe current trends within the industry. Industry is used to define a group of businesses that supply related products or services. What is happening in this type of business?

Describe how your product and/or service will be produced and/or sourced?

How do you plan to grow your business in the future? Example: Adding new products, expanding your market, providing additional services?

List any existing (or pending) Patents or Trademarks, if applicable.

Action Plan

List all the important tasks that must be completed before the business opens.

Action - How (Requirement)	Being Done By – Yourself, Family, Lawyer, etc.	Date of Completion – When do you expect to get it done by?
Find Location to Operate Business		
Renovate/Construct Building(if required)		
Register Business Name		
Complete Business Plan		
Obtain Business Number		
Register for GST, PST numbers		
Obtain Business License		
Obtain & Install Equipment		
Hire Employee(s)		
Grand Opening		
Other:		
Other:		
Other:		
Other:		

Marketing Plan/Strategy

Before you begin this section, you may want to see Page 43 for Common Marketing Terms/Definitions/Hints

Write down the market research you have done that shows you have a viable business idea. Examples include surveys, statistics analysis, etc….

Consumers/Target Market

Describe your typical customer. (E.g. Single females between the ages of 30 and 40, making over $30,000/year, living within 50km of Town X, etc.)

Where will your customers come from and what is the total population of this trading area? (Your trading area could be your town and surrounding towns.) Include a list of all the towns and/or major centers within your trade area.

How many potential customers do you have? Break them down in the following table. (Segments are meaningful categories that assist you in marketing your business. You can place your customers by age, place, ways of thinking, etc.):

Segment Name	How many potential buyers?	Estimated potential growth rate – Year 1	Estimated potential growth rate – Year 2	Estimated potential growth rate – Year 3

Distribution Plan (Place)

Distribution is the process of making your product or service available for use or consumption by the end customer (the person who uses it). You can use either a direct means (sell product directly to end customer, e.g. store front – face to face sales, sales from your website) or indirect means (using retailer or wholesalers to sell your product).

How you plan to get your product to your customer is vital to many businesses. If you are selling on-line for example, how will you get the product to the customer? Who and how will you fulfill orders? Will you ship using Purolator or other sources? Knowing how the product will get in the hands of the customer is very important to making your business successful.

Will you distribute directly or indirectly? A direct example might say “set-up business store front to sell widgets”. An indirect example could say “by using sources such as merchants, agents or brokers.” Explain your method.

Will you use other distribution or delivery systems, such as home delivery, free delivery to volume customers, etc. to increase sales?

Would your business benefit from adding other distribution strategies such as other retail settings, selling outside of Manitoba etc.?

ADVERTISING & PROMOTION

How will you advertise your business? (Signs, brochures, personal contact)

How can you generate publicity for your project? Example – New Business write up in local paper.

Pricing Strategy

Pricing is an important part of how you run your business. Pricing affects how your product or service is positioned in your industry/market place. For example, are you planning on being the cheapest, the fastest, or the best quality?

What is the pricing policy? How this was determined - industry norm, cost per unit plus mark-up? Will you use cost-plus or another method?

How will you ensure that your price covers your costs? Costs include fixed costs (rent, hydro) and variable costs (food, widget to make items etc.).

How will you package/display/promote your product or service for maximum marketing value?

Will you offer credit to your customer? If so, under what terms and how will you track it? What type of device will you be using for credit cards/debit transactions?

Website/Online Presence:

A website/online presence is like having a brochure for your company that can be updated or changed in minutes. It has become a necessity that allows you to:

- Let your customers know how to contact you,
- Sell your product or service online,
- Provide information (such as a menu or user manual),
- Complement your other marketing efforts (by offering sales or promotions),
- And more!

Websites and how you use them is changing. Ensuring that you create the right website/online presence with the right capabilities is key to starting and growing your business.

What will your website domain name be (e.g. www.yourbusiness.com) and/or online social media link: Facebook, Twitter, Pinterest, Google+ etc.? What if the company name is already taken?

What types of activities do you plan to do online? Will you sell online, will you offer promotions through your website, and will it be linked with other forms of social media such as Twitter, Pinterest etc.?

Who will set-up the website and/or social media? What is the estimated cost?

How will you attract visitors to your sites and/or social media links? How will you ensure you reach your audience with website/social media?

What is your strategy to get visitors to come back to your site/social media links? Have you added the cost of marketing through social media to your budget? For example, boosting posts on Facebook.

What is your plan to ensure that the site and/or social media tools are updated regularly and that someone is responding to email inquiries and social media mentions? Who will do damage control if the account is hacked or you receive negative comments on social media?

Some other considerations regarding your website/online presence:

Will you?	Yes	No	Comments
Use an Internet Service Provider (ISP)	◯	◯	
Use social media: Facebook, Pinterest, Google+ LinkedIn, Twitter, Instagram	◯	◯	
Host your own site	◯	◯	
Include product information	◯	◯	
Sell from the site	◯	◯	
Be smart phone (mobile) compatible	◯	◯	
Use PayPal or other payment options	◯	◯	
Use security barriers	◯	◯	
Put in place a Privacy Policy	◯	◯	
Register with search engines	◯	◯	
Have a tracking program to monitor site visits (e.g. Google Analytics)	◯	◯	
Advertise on other sites	◯	◯	
Allow others to advertise on your site	◯	◯	
Have exchange links with other sites	◯	◯	
Utilize analytics & insights to determine target audience	◯	◯	
Place your business location on Google Maps	◯	◯	
Use Google Alert, HootSuite, Twitter, etc. to check for mentions	◯	◯	
Other:	◯	◯	

Promotional Strategy/Budget/Timeline

Once you have identified your best marketing options, you should consider your budget and timing. You need to identify critical dates (special sales, holidays, season etc.), decide on the frequency of these events, how much will it cost, and ask yourself if you have budgeted for it. (Remember to add to cash flow section later in workbook).

Marketing Costs (e.g. Advertising -Ad in flyer, local paper; Promotion – t-shirts with logo, business cards etc.,)	Cost	Time of Year	Frequency – once a year/ monthly
Website			
Local Ads			
Creation of Logo			
Letterhead/business cards			

Operations Marketing Strategy

It is important to remember that marketing includes everything you do or say in your business that can either encourage or discourage sales. Your attitude or the attitude of the staff, cleanliness, atmosphere, job well done, caring about customers and smiling is part of your operational marketing strategy. Give some thought to what's important to *you* as a customer.

How will you incorporate an operations marketing strategy in your business?

COMPETITION

Describe your competitors. Healthy competition is good for business. Smart business owners not only know their competition, but they learn from them. By knowing what they offer, you can try to do better. This helps you be clear on why a customer would buy from you rather than your competitor. – What makes you unique or in marketing lingo, what is "Your Unique Selling Proposition?"

With this in mind, consider:

- Who is your competition?
- How long have they been in business, where are they located, and what services and products do they offer?

Competitor's Name	Location	Description	Strengths	Weaknesses	*Direct or Indirect

*Direct Competitors are the businesses in your market area that offer the same or similar products or services. Indirect competitors are different types of business that compete for the same or similar customers. For example, a video store has other video stores as direct competitors. Indirect competitors are cable/satellite TV, movie theatres, live events or anything that may fulfill the customer's need to be entertained.

After you have analyzed the competition you should be able to answer these questions:

How will you compete with your competitors? Why will you be successful? What is your "Unique Selling Proposition" (Reason why someone buys from you instead of your competition)?

What difficulties do you see in entering the market? How will you overcome these?

Is the target market growing or shrinking? I.E. population increase/decrease, increased traffic counts, etc.

Operations & Location

How will your business operate? How will product be produced and sold? How will you deliver your services? When will your business be open (Monday to Friday, 9 AM to 7 PM)? Will you be open seasonally or year round?

What furniture, fixtures, equipment and machinery is needed? Will it be bought, leased or rented? Include costs in your cash flows and start-up needs later on in this plan.

Inventory Controls: Describe how often you anticipate inventory will turn over (sold and need replacing). Identify how much inventory you plan to hold on seasonal basis. If your business requires a large volume and/or many different types of products, how will you keep track of the inventory?

Ongoing Monitoring and Planning

What system will you use to check sales? How will you track and maintain customers? How will you monitor monthly financial statements to keep on top of what is selling well and what isn't or implement whatever changes may be necessary before they affect your profitability?

Bookkeeping and Financial Controls

Who will do your accounting? How often will you produce financial statements? Identify your bookkeeper or specify if you will do your own books. How will you ensure your assets are protected? How will you manage against employee theft? How often will you count your inventory?

Suppliers

Identify your major suppliers:

Supplier Name	Credit / Delivery Terms	Location / Address	Discounts / Other Information

Location

Identify the kind of space needed for your business below. Include photos or drawing in your appendix.

Physical Address/Location of Business: _____

State the size of:

Selling Space	
Storage Space	
Office Space	
Other	

Describe your physical location – home based office, store front located on Main Street of Town X etc. Is it accessible? Does it have adequate parking?

Will you lease or purchase the building and/or the property? If so, describe the terms of the lease or purchase agreement (Include a copy in appendix if available).

Are improvements or renovations necessary? If so, please describe and include cost in your cash flow statement under leasehold improvements and include quotes as an appendix.

Regulations

Are any special permits or licenses required before the business can start operation, and have these been obtained? (Check with your local municipal or band office to ensure compliance to zoning, building and other relevant by-laws in your area. Depending on your business, you may also have to check with the regional Department of Environment office in your area to ensure compliance, and the Government of Manitoba to access food safety and health standards).

Insurance Coverage:

Do you have your business insurance? _____

Annual cost of insurance:_____

Please state insurance coverage and deductible (if obtained and/or quoted price):

Building: _____

Contents: _____

Vehicle: _____

Liability: _____

Business Interruption: _____

Works Compensation Board: _____

Other: _____

Life Insurance on Principals: _____

Disability Insurance on Principals: _____

Management and Staff

What are the qualifications and skills of the owner related to operating this business? Tell us about yourself. Have you managed a business before, managed the family finances, worked in the industry, or been self-employed etc.? Attach your resume as an appendix.

Skills of Owner(s):

	Adequate Knowledge	Assistance Needed	Training Needed	Will you be doing this in the business?
Accounting and Taxation				
Planning and Organizing				
Customer Service				
Financial Management				
People Management				
Personal Selling				
Advertising & Promotion				
Decision-Making				
Cost Control				
Management Skills				
Legal Aspects				
Pricing				
Other:				

What does your management team look like? Will it just be you the owner, or will you hire outside expertise?

What other skills are required to operate this business and who will provide them?

Employees

Describe the number of employees, the duties and pay scale of each one. Include job descriptions as an appendix.

Position/Title	Number of People Required for the Position	Duties/Skills Needed	Pay Scale	Full-Time/Part-Time/Seasonal

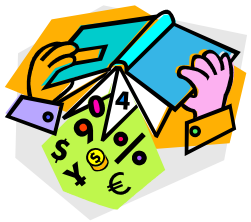
Total number of employees needed:_____

What are your staff training plans? Will you offer benefits? Where will you find employees and how do you plan to keep them?

Have you applied for Worker's Compensation coverage or inquired about the costs? Who needs coverage and what do you expect to pay?

Describe any external resources available from outside the business. Examples may include accountant, family members etc.

Financial Plan



You will need to complete the following financial statements. Spend the time to do this properly. Costs and revenues should be researched. Many businesses have failed from underestimating expenses and overestimating sales.

Understanding the financial basics will help you manage your business more effectively.

This is a very important step in business planning. This part of the business plan can also be known as the "Reality Check." Now you have to take your ideas and translate them into financial statements that will include your income statement, balance sheet and the cash flow forecast.

This part of the business plan may seem scary at first. If you want your business to be profitable and meet your personal goals, you need to complete this section realistically and be prepared with research on your business idea. (If you have completed the other sections of this plan, you already have most of the answers.) If you are wondering what type of research you need to do before starting this section; here are some areas to consider and questions to ask yourself:

- What items do I need to purchase for this type of operation and how much will they cost? This can be time consuming, as you will need to find out the cost of everything, small and large. If you are a restaurant for example, you have to think about things like napkins, dishes, the cost of a deep fryer, ventilation system, etc.
- Where can I obtain financing, and what is the rate of repayment and terms?
- What statistics are available to help project my income/expenses? Some resources for this information include:
    - http://strategis.ic.gc.ca/epic/internet/inpp-pp.nsf/en/h_pm00059e.html (With the SME Benchmarking tool you can view financial performance data based on industry averages, with an option to include your own information on the report.)
    - www.statcan.gc.ca – Statistics Canada
    - http://www.canadabusiness.ca/eng/ – Canada Business Network

The following financial statements are included in this planning workbook:

1. **Personal Financial Statement/Cash Flow**: Your own financial health will be carefully examined by lenders and any possible investors. Your personal needs will assist you and lenders to see if this business will work for you.
2. **Balance Sheet**: Snapshot of your business financially.
3. **Projected Income Statement**: Shows profitability of the business.
4. **Cash Flow Statement**: Shows the money coming in and out of the business, and answers the questions:
    - Will this business work financially?
    - What are your cash flow needs?
    - Will you need a line of credit? and,
    - If buying an existing business, how will this business cash flow and can you finance the amount the owner is asking?

Personal Cash Flow / Personal Financial Statement

A personal cash flow helps you to determine how much money you need from the business to support your personal financial needs. The amount that you need to draw from the business should be in your cash flow projections. There will be a minimal base amount that you must be able to draw from the business to support yourself and meet any financial obligations that exist now or in the near future.

Net Monthly Family Income, including Spouse's Wage (A)		**$**
Rent or Mortgage	$	
Electricity	$	
Heating	$	
Fire Insurance	$	
Water	$	
Telephone	$	
Cell Phone	$	
Internet	$	
Groceries	$	
Clothing	$	
Medication	$	
Life Insurance	$	
Recreation and Entertainment	$	
Auto Insurance	$	
Auto Repair and Fuel	$	
Loan Payments e.g. Car, line of credit	$	
School Taxes	$	
Municipal Taxes	$	
Credit Card Payments	$	
Satellite – Bell, Shaw	$	
Restaurants	$	
Gifts	$	
Other --	$	
Other --	$	
Total Monthly Expenditures (B)		**$** 0.00
Net Monthly Surplus	**(A minus B)**	**$** 0.00

Personal Financial Statement

Complete a Personal Financial Statement for each person who will own and/or will guarantee a loan for the business (partners, shareholders, etc).

It is a good idea to order your credit report from Equifax and Transunion in order to review your credit file and ensure that there are no errors or outstanding issues. Lenders will use this to decide if they will give you a loan. Be prepared to explain any negatives in your report and plans to fix any outstanding issues such as a judgment or unpaid account(s).

Name: _____

Net Worth Statement		
Assets (what you own)		**Description** (2011 Van, Home – bought in 1992)
Cash	$	
Savings Accounts	$	
Life Insurance (Cash surrender value)	$	
Tax Free Savings Account	$	
Stocks & Bonds (Market value)	$	
RRSP(s)	$	
Value of home (market value)	$	
Value of recreation property (market value)	$	
Value of other property (market value)	$	
Automobiles (market value/black book)	$	
Automobiles (market value/black book)	$	
Value of saleable collectibles	$	
Other Assets	$	
(A) Total Assets (what you own)	= $ 0.00	
Liabilities (what you owe)		Terms of Liability (e.g. Monthly payment of $400)
Mortgage	$	
Vehicle Loan(s)	$	
Line(s) of credit	$	
Credit card(s)	$	
Investment Loans	$	
Student Loans	$	
Buy Now Pay Later Plan(s)	$	
Overdraft (what you're using)	$	
Back taxes (unpaid taxes)	$	
RRSP home Buyer's Plan	$	
Other Loans	$	
Owed to Family	$	
(B) Total Liabilities (what you owe)	$ 0.00	
Net worth -assets **(A)** minus liabilities **(B)**	$ 0.00	

Start Up Costs

Before you complete the other financial statements in this workbook, we need to identify what you need to start or expand your business (cash in) and what it will cost (cash out). Then we need a plan on how you finance (borrow) the money to meet your needs.

Start-up Costs		Details
Land (to be purchased)	$	
Building (to be purchased)	$	
Renovations/Leasehold Improvements (to be completed)	$	
Equipment Purchase(s)		
Equipment Purchase(s)	$	
Equipment Purchase(s)	$	
Initial Inventory	$	
Existing Equipment Total (what you are putting into the business – will equal owner's investment –assets below)	$	
3 month operating Costs – Advertising, Automobile, Business Tax/Fees/Licenses, Property Taxes, Wages, Rent/Mortgage, Insurance, Telephone/Internet, Utilities, Other Operating	$	
Total Start-Up Costs **(A)**	= $ 0.00	
Contributions to start Up	**Current Value**	**Details – Item, Expected Life, Date Acquired**
Owner's Investment – Cash	$	
Owner's Investment - Assets	$	
Owner's Investment - Assets	$	
Owner's Investment - Assets	$	
Total Owner's Investment **(B)**	= $ 0.00	
Amount Needed **(A)** Costs**- (B)** Owner's Investment:	= $ 0.00	

Source of Funds for Amount Needed: Who have you approached or plan to approach to get the funds needed for your business?

Source of Funds	Amount	Confirmed or Applied for	Terms/Conditions
Financial Institution (Bank/Credit Union)			
Friend/Relative			
Investor			
Other:			
Other:			
Total Funds Available	$ 0.00		

FORECASTING SALES

Before you complete your financial statements, it is necessary to determine (forecast) your level of sales (income) and your expenses.

This can be a challenging task, but it is one of the main elements of your plan. Your forecast is based on market research, customer demand, level of competition, and production capacity. Basically, you are calculating, as close as possible the amount of sales you can make in each month. Remember to consider seasonal changes.

There are two methods that can be used for forecasting your sales:

- **Top Down Method**: based on market potential
- **Bottom Up Method**: based on your production capacity
- **Break Even Method**: shows how much you must sell to not lose money and can be used to understand if the figures are realistic based on your plan

THE TOP DOWN METHOD

You will need to supply numbers based on your market research to answer the following questions:

1. How many people live in the area you will service? _____
2. From this population, how many are included in your target market? _____
3. How much of your target market could potentially use your service? _____
4. How often will they use this service? _____
5. Price per use multiplied by use of service (Point 4.):_____
6. Potential Sales (Point 5. X Pont 3.) _____

For example: A Yard maintenance service called Yard Buddy is just starting up.

1. The service has decided that it will serve the area of North Vancouver, which contains 20,000 homes (includes condos, apartments etc.).
2. Yard Buddy's target market is 40% of all homes that are houses.
   40% of 20,000 = 8,000 houses

3. Based on market research he/she estimates that 4% of households would potentially use this service 4% of 8,000 = 320 houses

4. Average # of times service will be used; once a week for the year (considering seasonal impact), which equals 26 lawn service visits per year

5. Charge for service is $30 per visit x 26 visits = $780.00 per year per customer.

6. $780 x 320 houses = $249,600.

$249,000 is your annual sales forecast based on the top down method.

Based on these figures we see a great annual income; however it would require more work than one person is capable of doing. It is probably more useful for Yard Buddy to think in terms of how much actual work he/she is willing or capable of doing. He/she can calculate this using the Bottom Up method.

THE BOTTOM UP METHOD

The Bottom Up Method is based on your own production capacity.

1. Calculate the number of hours you will work per day: _____
2. How many days per month? _____
3. Calculate the amount of product or service you can produce:_____
4. How much does it cost the customer? _____

Example: Yard Buddy wants to work 8 hours a day servicing 3 yards per day. He/she takes weekends off in order to only work 21 days out of every month.

The charge per service is $30
Total yards/day = 3
Charge/yard = $30/yard

The calculation is 3 yards @ $30/yard = $90.00/day
$90/day x 21 days/month = $1,890/month

Based on the amount of work this Yard Buddy can do, we see he/she can earn $1,890/month.

This amount may seem like a good income; however we haven't included the cost to Yard Buddy for providing this service. It is necessary to balance this income with Yard Buddy's expenses. To do this we use the Break Even Method.

THE BREAK EVEN METHOD

This method is a handy reality check that projects the minimum amount of sales needed to cover all expenses.

You will need to know and understand your fixed costs and variable costs.

Fixed costs are the costs of operating your business. These numbers are fixed because they don't change depending on how much or how little business you are doing. Fixed costs commonly include items like rent, utilities, telephone, insurance, etc.

Variable cost is the cost of providing your product or service. These numbers are variable because they will change depending on how much or how little you sell. Variable costs often include items like wholesale inventory costs, materials/ingredients, or labour.

$$\frac{\text{Fixed costs (overhead)}}{\text{Unit selling price (minus) Variable costs (your cost per unit)}} = \textbf{Break even point}$$

For example:
Yard Buddy's **fixed costs** include truck payments, a loan repayment, insurance, and cell phone charges.
They total $10,000 for the year.

Yard Buddy will service each yard for $30. **(Unit selling price)**

The cost to Yard Buddy for providing his service is $14 per yard **(variable cost).** This amount includes gas and maintenance for truck, mower and weed wacker, plus garden supplies such as fertilizers and pest control.

The calculation is:

$$\frac{\$10{,}000 \text{ (buddy's fixed costs)}}{\$30 - \$14 \text{ (unit cost minus variable cost)}} = 625$$

Therefore, Yard Buddy must service 625 yards per year or 2.5 yards per day to break even.

Your Calculation

$$\frac{\text{Fixed costs (overhead) } _____}{\text{Unit selling price } _____ - \text{ Variable costs } _____} = \textbf{Breakeven point } _____$$

Cash Flow

The cash flow forecast lists all the money flowing in and out of your business. It tracks projected receipts and expenses on a time line so you will know how much money is left over at the end of a period.

The cash flow forecast tells you how much money you need to borrow, and when you have surplus or deficit. It also helps you to determine when and on what to spend your money.

Cash Flow Terms - Reference

Sales

All cash sales made during the month.

Automobile

Includes all cash expenses related to automobile use for the business. Such expenses are fuel, insurance, maintenance, etc…

Insurance

Includes all insurance costs incurred by the business, except for automobile insurance (automobile insurance should be placed under the Automobile category).

Professional Fees

All fees paid to lawyers, accountants, business name registration, etc…

Taxes and Licenses

All business taxes and business licence fees paid by the business.

Wages and Benefits

The wages and benefits paid to all employees of the business (not the business owners). This must also include all mandatory costs such as E.I. and CPP.

Principal Drawings

All cash drawings or payments made to the owners of the business.

Loan Payment

Interest and principal payments made to a lender.

Purchase Fixed Assets

All fixed assets or capital equipment purchased by the business. This will include land, buildings, machinery, etc. A guideline to consider: if the asset will be used by the business for more than one-year then it should be considered a fixed asset.

Maintenance

All costs associated with maintaining buildings and equipment used by the business; except for automobile maintenance (automobile maintenance should be placed under the Automobile category).

Cash Flow Forecast

Cash Flow Statement: A record that traces the flow of cash in and out of your business over a given period of time. It shows where the money came from and where it went.

Business Name:

Projected monthly cash flow for the first year of operations

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Year 1	Projected Year 2	Projected Year 3
Sales															
Loan															
Owner's Investment															
A Total Cash In															
Opening Inventory															
Inventory Purchases															
Advertising															
Automobile															
Bank Charges															
Insurance															
Professional Fees															
Rent															
Taxes and Licenses															
Telephone/Internet															
Utilities															
Wages & Benefits															
Principal (Owners) Drawings															
Loan Payments															
Purchase of Fixed Assets															
Office Supplies															

Maintenance															
Contingency (Unexpected Needs)															
Other															
B Total Cash Out															
C Net Monthly Cash (A-B)															
D Beginning Cash Balance (E of previous month)															
E Ending Cash Balance (C+D)															

Notes:_____

Click here to open an Excel template of the cash flow.

Cash Flow Assumptions

List any assumptions you have made that justify your numbers (example: amount of product sold per month, seasonal boosts or slumps etc.). You should be able to identify times when you might be running a deficit, spotlighting the need for available working capital to get you through those times (e.g. line of credit).

Assumptions on Cash Flow Forecast:

ITEM	DESCRIBE ITEM(s)	CASH RECEIPTS ASSUMPTIONS (Revenue) – How did you come up with the number?
Sales		
Other Revenue		
		CASH DISBURSEMENTS ASSUMPTIONS (Expenses) – How did you come up with the number?
Purchase of Inventory		
Purchase of Equipment		
Leasehold Improvements		
Bank Charges		
Professional Fees		
Automobile		
Utilities		
Rentals		
Insurance		
Repairs/Maintenance		
Materials/Inventory		
Office Supplies		
Loan Repayment		
Wages & Benefits		
Owner Drawings		
Other:		
Other:		

Projected Balance Sheets

The Balance Sheet: A snapshot of everything your company owes and owns. It shows what your company is really worth at a given time.

Business Name:			
Projected Balance Sheet			
As at the end of the first three years of operations			
	Year 1	**Year 2**	**Year 3**
ASSETS			
Cash	$	$	$
Accounts Receivable			
Furniture & Equipment			
Buildings & Land			
Vehicle			
Other			
Total Assets	**$** 0.00	**$** 0.00	**$** 0.00
LIABILITES			
Accounts Payable	$	$	$
Business Loan			
Other			
Total Liabilities	**$** 0.00	**$** 0.00	**$** 0.00
EQUITY			
Beginning Equity	$	$	$
Add: Investments			
Less: Withdrawals			
Add: Profit for the Period			
Total Equity	**$** 0.00	**$** 0.00	**$** 0.00
Total Liabilities & Equity	**$** 0.00	**$** 0.00	**$** 0.00

*Notes on Projected Balance Sheets

Projected Income Statements

The Income Statement: A list of numbers that adds up all of your revenue (income) over a period of time, and then subtracts the total costs of running your business. Whatever is left over is your profit at the end of the period, also known as the bottom line. Complete using the cash flow projections/forecast done previously.

PRO-FORMA INCOME STATEMENT	Year - 1	Year - 2	Year - 3
REVENUE:			
Sales	$	$	$
Other Income	$	$	$
TOTAL REVENUE	$ 0.00	$ 0.00	$ 0.00
(Minus) COST OF GOODS SOLD	$	$	$
GROSS PROFIT	$ 0.00	$ 0.00	$ 0.00
EXPENSES:			
Advertising and Promotion	$	$	$
Automobile Expense	$	$	$
Bank Service Charges	$	$	$
Insurance	$	$	$
Loan Interest (no principal)	$	$	$
Office Supplies	$	$	$
Professional Fees	$	$	$
Rent	$	$	$
Telephone / Internet	$	$	$
Travel	$	$	$
Wages and Benefits	$	$	$
Depreciation	$	$	$
Utilities	$	$	$
Maintenance	$	$	$
Contingency	$	$	$
Other --	$	$	$
TOTAL EXPENSES	$ 0.00	$ 0.00	$ 0.00
NET INCOME (before taxes)	$ 0.00	$ 0.00	$ 0.00

*Notes on Projected Income Statements

Risk Analysis

What are the risks involved in your business? What can you do to reduce the risk to your business? Examples: No Smoking By-Laws for Restaurants and Bars, Seasonal business facing wet or cold summer, business closes, fails in first year, no sales to carry it through the winter etc…

Potential Risk	Potential Solution

Retirement (Succession Plan)

An often overlooked area of business planning, that is becoming more important, is how you will exit your business. Some things to consider are:

- How long do you plan to operate your business?
- Do you have any family who may be interested in taking over the business in the future?
- How can you get full value for your business when you sell?
- What are the tax implications of selling your business?
- What are your personal needs from the sale of the business?

Appendices

The appendix is the last section of your business plan. It is the place to include any information that does not fit directly into other sections of your plan. Appendices often include:

- resume(s) of the owner(s) and key personnel
- personal financial statement of each owner (and their spouse, if applicable)
- detailed or technical information
- letter(s) of support from vendors/suppliers/customers
- copy of major contract(s)
- copy of lease or purchase agreement(s)
- quotation on any major planned purchases
- photos/maps of business area, store layout, competitors' locations, etc.
- promotional items (sample ads, brochures, menus, etc.)
- market research
- price list showing wholesale and retail amounts
- samples of advertising, business cards or pictures of product

Congratulations, you are done! It has been a long process of discovery. Hopefully you have gained an understanding of your business and what you need to do in order to make your venture a success.

Helpful Hints, Numbers and Contact Information

Registering Your Business Name

If you operate your business as a sole proprietor and operate under your own name - registration is not generally necessary, providing you erect a sign in full public view giving your full name. For example, Mr. Jones is the sole owner of a business and he proposes to call J.H. Jones Plumbing, he would not be required to register it.

You are required to register the name of your business:

- If you are associated in a partnership, e.g. J.H. Jones and F.H. Smith Plumbing.
- If your business name - even though it uses your family name - indicates that more than one person is involved in conducting the business, e.g. Jones & Company.
- If you intend to carry on business under a name other than your own family name, e.g. Economy Plumbing.

What Facts Must You Supply?

Prior reservation of the name is mandatory in new registrations. If your business falls within one of the above classes, you must file prescribed forms within one month of beginning business. Your registration forms will provide the following information:

- your full name and place of residence,
- the name under which you intend to carry on business, a description of the nature of the enterprise,
- the location of the enterprise,
- if you are in business alone, a statement that no partnership exists,
- if you are in partnership, the full name of all persons involved and a statement of the time during which the partnership has existed.

Such registration is effective for three years and is renewable upon application. **FORMS MUST BE FILED AND FEES PAID.** Contact the Companies Office for prescribed forms or download from their website www.companiesoffice.gov.mb.ca.

Workers Compensation Board

The workers compensation system is an accident insurance system for employers and workers. Employers, who pay for the system, are not liable for the workplace injuries or diseases sustained by their workers. In turn, workers injured in the course of employment are automatically eligible for compensation regardless of fault. However, workers give up their right of legal action against a potentially negligent employer in return for the certainty of no-fault benefits.

Winnipeg, call toll free in Canada at 1-800-362-3340 or fax (204) 954-4452.
Website: http://www.wcb.mb.ca

Common Marketing Terms/Concepts/Hints

Definitions:
Advertising: Advertising is bringing a product (or service) to the attention of potential and current customers. Advertising is typically done with signs, brochures, commercials, direct mailings or e-mail messages, personal contact, etc.
Publicity: Publicity is getting a mention in the media. Organizations usually have little control over the message in the media, at least, not as they do in advertising because reporters and writers decide on the content.
Marketing: Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.
Packaging: Material used to protect goods; also an opportunity to present the brand and logo.
Promotions: Promotion keeps the product in the customers' minds and helps stimulate demand for the product. Promotion involves ongoing advertising and publicity (mention in the press). The ongoing activities of advertising, sales and public relations are often considered aspects of promotions.
Sales: Sales involves most or many of the following activities, including cultivating prospective buyers (or leads) in a market segment; conveying the features, advantages and benefits of a product or service to the lead; and closing the sale (or coming to agreement on pricing and services).

Market Research

Market research is a very important step toward understanding your market. Investors and lenders will require market research before they feel confident in your business idea.

The data you collect forms the basis of your promotion, pricing and packaging as well as providing validation for important assumptions you will make on your financial statements and cash flow projections. **Market Research will also help you to uncover hidden markets you haven't thought of yet.**

The data you collect is open to interpretation and varies greatly depending on how the questions are asked and where the research is conducted. Market research is not an exact science but it provides a useful point of reference when it is necessary.

THREE TYPES OF MARKET RESEARCH

PRIMARY RESEARCH

Primary Research is information that you generate for your own purposes. There are many sources and techniques available. The most common ways are:

Personal Interview or Questionnaire: They can happen on the street, in a mall or in a pre-designated area. This method is relatively inexpensive and extremely fast.

Telephone Surveys: This method is ideal when you want to cover a broad territory and generate quick responses. Randomly selecting two numbers from each page of the telephone book is a good way to determine who to call. The survey must take less than five minutes and many people may refuse to participate. Don't forget to note the responses of each call.

Test Market: This method is useful for checking the viability of prototype products or services evaluate promotional ideas, assess pricing strategies, or packaging options. The

primary goal of test marketing is to evaluate your chosen course of action on a small scale, in order to avoid disaster on a large scale.

Focus Groups: A focus group consists of 8-10 individuals drawn from your target market. The researcher poses specific questions for group discussion. This method may alert you to issues you may not have thought of. Casual focus groups can be quite successful when dealing with small markets.

Observation: With this method the goal is to discover consumer activities within your market. This may include traffic counts, talking with store clerks, etc. This method is more qualitative than quantitative.

SECONDARY MARKET RESEARCH

Secondary Research uses information that is already available. This is how you can find out current information relating to - Demographics - Customer characteristics - Environmental influences.

Demographics: This is statistical data that can give you information about your market potential within a given area. Available statistics include information about: Population and number of households - Sex, age, income, occupation, education - Census tract and enumeration area data - And more...

Environmental Influences There are many outside factors that may influence your business positively or negatively. Environmental Influences are usually beyond your control, but with awareness of them you can be prepared for sudden opportunities or setbacks. It may be to your advantage to stay on top of current issues in your area, read your local paper, pay attention to city council decisions, and network with other business people. Industry associations help businesses stay current in their field. Some environmental influences to be aware of are:

- Changes in Government regulations or incentives
- Social and cultural change
- Economic forces
- Technological changes

Selling Techniques: What and why do customers buy?

Your market segments are made up of individuals who are most likely to want your products or service. They are called **prospects**. Your mission now is to convert prospects into **customers**. To do this you must understand why they buy what they buy.

Nearly a century of market research and psychological observation of consumer behavior demonstrate **customers buy to satisfy personal needs**. The most powerful motivating needs are physical. Some of these needs are hunger, shelter, clothing and transportation.

Once these physical needs are met the typical consumer moves onto satisfying emotional needs like prestige, safety, pleasure and convenience. Some products that fill these needs are brand names, beauty aids and chocolate doughnuts.

The highest end of the scale fulfils intellectual needs and a need for greater personal achievement. Items at this level tend to be less material and more experiential (i.e. seminars, retreats and adventure holidays).

The customer's need is the "bottom line." Your product or service only exists to fulfill them. The way we do this is called features and benefits.

FEATURES AND BENEFITS

All customers want to know one thing. "**WHAT'S IN IT FOR ME?"** They are asking you how your product can satisfy their needs. Answer this question correctly and you will have converted your prospect into a customer. Your answer will revolve around your features and benefits. It will be essential to clearly understand what features and benefits your product or service can offer and what needs they fill.

A **feature** is an outstanding quality that adds utility or value to your product.
A **benefit** is how that feature satisfies a customer's need.

FOR EXAMPLE: Car shoppers as a total market have many different **needs**. Family car buyers are a market segment with different needs than the single person market segment. Family needs might revolve around safety, financial security, and convenience. A car that has **features** such as airbags, low gas mileage and extra cargo space can offer **benefits** that satisfy their **needs**.

Remember: Customers don't want airbags (feature). They want protection in the event of a collision (benefit) which fulfills their need for safety.

Customers don't want low gas mileage (feature); they want to buy less gas (benefit), which fulfills their need for financial security.

Customers don't want cargo space (feature); they want to be able to pack up the vehicle for shopping or family outings (benefit). This fulfills their need for convenience.

Funding/Financing Information

Sources of personal equity can include:
Yourself - This is the ideal situation when possible. Equity is what you own. Debt is what you owe. If you have more equity than debt, you may be in a position to provide your own collateral against a loan.

Friends and Family - Once you have exhausted your own funds, the next step may be friends or family. This support, when available, is often based on an informal arrangement, however it is a good idea to have a written agreement and to remain business-like in your dealings. This may be a good option for some, however many family feuds have started over who makes the business decisions.

Investors/Venture Capital - These are people with funds to invest that are not connected to a financial organization. Often they are willing to risk their money in exchange for involvement in the business. They are looking for a good return on their investment and frequently have a lot of expertise to share. Finding investors is not easy but they may be found in the newspaper, word-of-mouth or through accountants or lawyers.

Government Grants - Grants are usually geared towards exporting, high technology, manufacturing firms or training programs. Grants for small businesses are generally not available.

If you need more money than the personal equity you have mustered up then it may be time to look at lending agencies such as banks.

HOW BANKS DECIDE WHO GETS A LOAN

All banks and lending officers use a standard process for reviewing loan applications. The decision is based on the 5 C's of lending.

Credit History: They look at your credit history and payment record.
Collateral: Assets you have to use as security to guarantee repayment of the loan is considered.
Character: Your personal attributes including your work history and length of time at a residence are important.
Capacity: How much are you able to borrow?
Cash: How much of your own money are you contributing?

When dealing with banks, make sure your business plan is complete. Be honest and up-to-date, as the bank/credit union will check much of the information.

TYPES OF LOANS

Banks and other lenders may offer many different loan packages, but in reality all loan packages fall into one of three main types.

Term Loans are given to buy "hard" assets such as equipment and property. They are "term" loans because they are repaid over a set period of time (loan term). Term loans may be as short as 6 months or as long as 25 years (i.e. mortgage). Interest rates can be fixed for the loan term or can vary with the lender's prime lending rate. In some cases there may be a penalty for repaying before the end of the term.

Demand Loans are payable on demand by the lender. Most small business loans are demand loans. Interest rates are given at the lenders prime interest plus a percentage above that rate.

Line of Credit is a short term loan to meet short term operating expenses such as inventory, accounts payable or advertising expenses. Lines of credit operate on a revolving basis - similar to most credit cards. You borrow depending on your needs up to a maximum limit. Lines of credit are usually only given to stable businesses with a track record. Before you are going to be eligible for a loan of any kind, a lender will want to see what market research you conducted in order to assume market viability sales projections.