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WHITE PAPER

How To Prepare A Business Plan That Gets Results

Writing A Good Business Plan
Could Make Or Break Your Business Success

A Good Business Plan Is A Necessity

Writing a good business plan is an absolute necessity when you want to start a business or expand an existing business. You may have a brilliant idea, product or service that needs financing however with no business plan it's hard to convince investors to sink their hard-earned money into your venture.

There is a tremendous amount of information available on how to prepare a business plan. **NEBS** has a business plan tool; a step-by-step template for writing business plans. Visit www.nebs.ca and click on the Business Tools heading to find the Business Plan Tool.

In addition, there are a number of other good web sites to help you. Visit British Columbia Small Business, www.smallbusinessbc.ca or the federal government site, Canada Business Services for Entrepreneurs at www.cbsc.org. They have developed an online business plan tool called the Interactive Business Planner (IBP). The IBP is a computer software program that will assist you in preparing a 3 year business plan for a new or existing business. It will help you write your plan, provide a format and take the information you provide and prepare financial projections.

Why do a business plan?

The big question everyone asks is: do I really need a business plan to start a business? The quick answer is YES. A business plan forces you to go through a process that helps you solidify your ideas on paper. You will be more convincing with investors that you have a viable business opportunity with a good plan. It also provides milestones in running your business. You can set goals and measure your performance against these benchmarks.

Here are a few tips in the actual writing of your plan:

- Try to keep the plan to 20 pages + appendix
- Use bullet points wherever possible
- Use graphs, diagrams and photographs where appropriate.
- Have someone else outside your industry read it over
- Number the pages with a table of contents

Key Components Of A Good Business Plan

The following is a straight forward overview of the key components that need to go into a good business plan.

1. Executive Summary

The purpose of an executive summary is to grab the readers' attention and make them want to read more. It summarizes all the key elements in your plan. This is probably the most important part of the business plan since if your audience won't read your summary what is the likelihood they will read your plan? It should be no longer than 2 pages in length and should include the following information.

- **The Company:** include your business strategy; the overall approach to producing and selling your product/service. Describe what your business does, how are you different from your competitors and a brief history.
- **Key objectives and goals:** sales, production and profit goals should be included. The key here is to make your strategy believable. If you have an existing business and historically you are growing at 10% per year and now you are projecting a 50% annual growth, you will need a very compelling explanation to support this goal.
- **Management/ownership:** information should include technical expertise and business qualifications of the key players, the type of business structure i.e. proprietorship, partnership or corporation. It is a good idea to also include all contact information such as name, address, telephone, e mail, web site etc.

2. Assessing Market Opportunities

The purpose here is to prove that the market is large enough, given the competition, to support your business venture. It is here that you present convincing evidence that your business will succeed in the marketplace.

- **Industry Research:** describe your industry: is it growing, stable or mature? Provide industry trends, number of customers, number of units sold etc. Provide economic indicators and risks factors caused by legislation, technological change or any threat to the industry as a whole.
- **Target Market:** which segments of consumers or businesses are most likely to purchase your product or service? You should ask and answer the six Ws: Who? Where? When? What? Why? and How? If you have any customer survey information you should include it here. Provide your sources of information for market and industry information i.e. web sites, Statistics Canada

- **Competitive Analysis:** list all the direct and indirect competitors in existence over the past 3 years. Direct are competitors that offer exactly what you offer whereas indirect offer similar products. You should analyze competitors that have gone out of business in the past and determine why. Also explain how your business will survive in this market; how you are unique from the competition. Your unique selling proposition (USP) defines your competitive advantage. Identify what makes you different from your competitors and emphasize these advantages in your marketing.

3. Marketing Strategies

The purpose of this section is to explain how you are going to attack your market with your product and service. When preparing this section, the 4Ps of marketing need to be explored: Price, Product, Promotion and Place (Distribution)

- **Pricing Strategy:** explain such things as how your price compares to the competition; what price image you have (i.e. high end or low price); how you determined your price.
- **Product or Service:** describe the features/benefits/advantages (FABs) of your key products/services and list any patents, trademarks or copyrights.
- **Promotion:** elaborate on your advertising plan, public relations initiatives and promotional events such as give-aways, discounts or special events.
- **Place (Distribution):** the internet has become the medium of choice to reach customers and it becomes a necessity to have a web site as part of your business plan. Explain your Personal Selling approach; how you will find new customers; evaluate alternative approaches to selling.

4. Operations

Explain how you plan to operate the business. Manufacturing businesses should include a flow chart/process diagram showing the entire production process from start to finish. For businesses that manufacture or sell products, include source of supply and order lead time, inventory control system, alternative sources of supply in case your primary suppliers have production issues, how much space is needed to warehousing.

If you subcontract provide a list of sub contractors and alternative sub contractors. Show what the sub contractors do and where they fit into the production plan. If you have more than 5 staff, include Human Resources information such as an organizational chart, job descriptions, recruiting practices, management and compensation.

Describe the type of business – i.e. proprietorship, partnership or corporation. Other things to consider include a list and contact information of your accountant, lawyer, banking information and any other relevant business advisor.

5. Business Risks

Every business has risks. In this section, try to point out key business risks that you face in opening or operating your business. Here are some questions to consider:

- If your business is a new concept, will your target market be willing to try something new?
- How will you convince them to change their current way of thinking?
- What do you plan to do if you do not meet your projections for sales or profits?
- What if your competition tries to undermine your entry into the field?
- What operating problems might occur and how will you deal with them?

6. Financials

This is where you present your company's financial history and projections. While you can be creative in other parts of your business, here you should be "vanilla-flavoured" presenting your finances in the format that accountants and investors are accustomed to. You will want to provide up to three years of past results, if available, and two to three years of projections. You should have three types of financial statements covering your history and projections:

- **Cash Flow.** Cash flow is really a record of cash available at different points of time. It helps highlight the differences between when a sale is made, cash comes in, and bills are paid.
- **The Income Statement: Profit and Loss.** This is the proverbial bottom line: revenues less expenses. For small companies, it is important to differentiate from cash flow. It's possible to run out of cash early in a quarter, even though you are heading toward profitability at the end of the quarter.
- **The Balance Sheet.** This is the financial statement bankers like to focus on because they believe it offers the most revealing clues about basic business health. It shows assets and liabilities. It is most useful in evaluating product businesses, where assets are easily identifiable and can be appraised. It is less useful for service businesses.

7. Appendix

Your appendix should include any items that you believe are relevant to your business plan. This might include market research data, surveys of competitors' pricing, a media plan, sample advertising programs, or consulting firm reports.

Sources:

Business Service Centre, Government of Ontario www.cbsc.org/ontario

Online Small Business Workshop, Government of Canada www.cbsc.org/osbw

Small Business BC, Government of British Columbia www.smallbusinessbc.ca