

PLANNING FOR SUCCESS



YOUR GUIDE TO PREPARING A BUSINESS AND MARKETING PLAN



Atlantic Canada
Opportunities
Agency

Agence de
promotion économique
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Canada

Planning for Success: Your Guide to Preparing a Business and Marketing Plan

This guide is designed to help you put together a comprehensive, strategic and effective blueprint for your business — a foundation for your success!

Your business plan is one of your most important tools in planning for the future of your business. It outlines your vision, what you want to achieve and how you plan to get there. The process of putting this plan together helps you set the course for your business — preparing for obstacles, allocating resources and planning for opportunities. It's also a living document that should be updated as your business evolves over time.

A good business plan, which includes an effective marketing plan, also presents your business case to the outside world. It is a key factor in attracting and retaining investors and is often the first document lending organizations ask to see.

So, how do you develop an effective business and marketing plan?

You begin the process by focusing on a few key elements — first, establish your basic business goals. Then, based on sound research, determine what challenges and opportunities your business may face. Next, clearly identify your target markets and competition. And finally, consider and plan all the operational and financial requirements you need to achieve your goals.

Effective business and marketing plans are very thorough, anticipating and answering readers' questions before they are asked. That's why developing a good plan can help you better define your goals, ideas and plans in your own mind before you "put pen to paper."

There are many steps and details involved in fleshing out a comprehensive and compelling business and marketing plan, so here are some general guidelines to think about as you get started:

- ✓ Involve all of your management team in the process, as well as any legal, accounting, financial or special advisors;
- ✓ Engage the best writer from your management team and stay directly involved yourself in preparing the plan;
- ✓ Emphasize your extensive market research, your vigorous financial analysis, and your management team's strengths;
- ✓ Keep in mind that you are writing your plan for two audiences: financial partners who will use it as a guide to investing in your business, and you, who will use the plan as a blueprint to launch / grow your business;
- ✓ Be comprehensive, but concise, in describing your business and its potential — the plan should ideally be between 10 to 40 pages in length; and
- ✓ Use the third person (not "I") when writing your business plan.

There are 9 key sections in a standard business plan:

1. Cover Page
2. Table of Contents
3. Executive Summary
4. Industry Description
5. Business Description
6. Opportunities
7. Production Plan
8. Marketing Plan
9. Financials

1 Cover Page

Your cover page introduces your company and your business idea. It should include the following:

- The legal name of your business;
- Your business and marketing plan title, e.g. "Business and Marketing plan for Smith and Smith, Inc.";
- The date your plan was prepared or modified;
- Contact information of the person who prepared the plan — name, address, phone number, fax number and e-mail address;
- Any necessary notices, e.g. advising that the plan is confidential, as well as a copy number of the business plan to control distribution;
- Your business official trademark or logo; and
- Your business website address.

2 Table of Contents

Your business and marketing plan should be clearly laid out and easy to use, so it's a good idea to include a full table of contents listing all key sections, and number all document pages. That makes it fast and easy for readers to access the sections they want.

3 Executive Summary

While the Executive Summary is the first part of any business and marketing plan a reader sees, you may want to write it last. Leaving it until the end will allow you to better focus, refine and polish your key messages after you've finished the bulk of the work.

The Summary is ideally just one page long — two pages maximum — as it is only intended to provide an overview. While concise, it should also pique the reader's interest enough to read the rest of the plan with an even keener eye. If your Executive Summary has done its job, the reader will continue reading and get the full story of your business idea.

Here are some areas that should be addressed in your Executive Summary:

- Introduce your business — what it is, what it does, how it does it, who manages it, location, its markets and competition.
- Provide a mission statement and vision statement which outline what your goals are and where you want to be in five years.
- For potential investors:
 - State if the business is a sole proprietorship, partnership, or corporation;
 - Indicate the business opportunity, expected growth rate and potential for good return on investment (details will be in the main document);
 - Declare the total financial requirements of the business, funding sources and indicate repayment schedules (again, details in the main document); and
 - Give brief outlines of your operational and marketing plans.

It's a good idea to use strong, positive language, ending with a declarative sentence that answers the question, "Why should I invest in this business?"

4 Industry Description

This is where your in-depth research and understanding of your industry will be showcased. Within the detailed description of what your industry looks like right now, you should include the following:

- The size of your industry and how many sectors it includes;
- Key information on industry markets, demographics and niche areas;
- Who the major players are in your industry — your competition;
- The suppliers and/or distributors in your industry, if applicable;
- Key industry and economic trends affecting your industry;
- Any social, cultural, environmental or geographical factors that impact your industry;
- What certifications (e.g. ISO), insurance and industry regulations are required;
- An outline of government regulations affecting your industry; and
- The overall growth potential of your industry.

Now you can demonstrate that you've analyzed the risks and know where your business fits in this industry. Points to include here should include:

- What sector of the industry you plan to enter or expand into;
- What will distinguish you from any competition in this area, i.e. what's your competitive edge;
- Who your direct and indirect competitors are and their anticipated reactions to your new enterprise; and
- A detailed analysis of any other potential obstacles/risks.

You may also want to identify weak links and/or difficult issues, and include any appropriate contingency plans in your industry description.

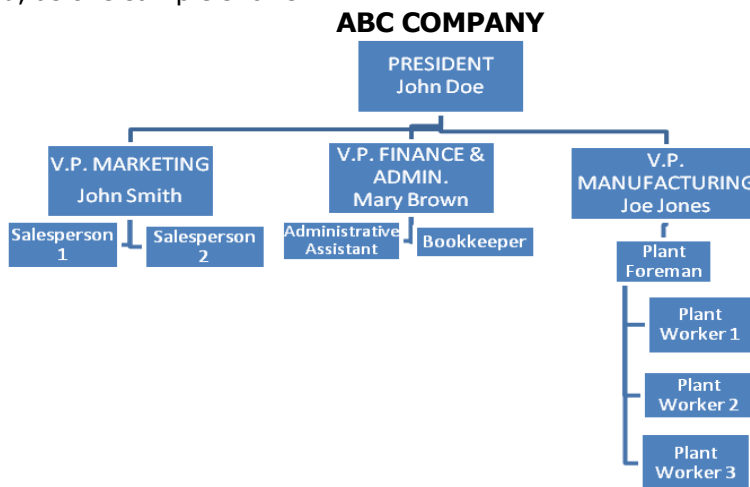
5 Business Description

In this section of your business and marketing plan, you describe your business and explain why investors and lenders should be interested in getting involved in your business idea. Here are some suggestions:

- Briefly reiterate your business introduction from the Executive Summary with more details about:
 - Your products and/or services;
 - Your facilities and assets;
 - The history of why and how your business came to be, including any milestones;
 - Your success factors (what you do really well) and your niche in the industry;
 - Your sales volume (existing and projected); and
 - Any innovative products, services, processes and/or ideas being developed.

- Go into detail about your management team, your staff and key advisors, including:
 - Owners and managers: who they are and what strengths they bring to the business in terms of experience and expertise;
 - Staff: how many, what skill sets and experience they possess;
 - The positions and responsibilities of each of the above;
 - Plans for training and expanding staff as your business grows;
 - Your professional advisors: lawyers, accountants, bankers, consultants, mentors; and
 - Your Board of Directors or Advisory Board (if applicable) and what business experience they offer.

You may add an organizational chart to illustrate how your staff is, or will be, organized, as this sample shows:



6 Opportunities

This is the part of your business and marketing plan where you promote your business concept, your vision for the future and why your enterprise will succeed.

In a clear, concise and positive manner, base your statements on facts and address areas of interest to potential investors, such as:

- Why the market will buy your product and/or service;
- How large the market is and how much you expect to capture; and
- What the future prospects are for your product and/or service.

When addressing these issues, do not hesitate to use as much research and data as possible to describe and promote your product or service, including:

- Why your targeted market wants or needs your product and/or service;
- What innovative features and compelling value your product and/or service offers;
- How your offering is better than that of your competition;
- If you are selling something new, whether it is protected by patent, copyright, or other legal means;
- How your product and/or service will have longevity in the marketplace (will it soon become obsolete); and
- What your plans are for modifying or updating it in the future.

7 Production Plan

Regardless of which industry you are in, it is essential that you demonstrate a thorough grasp of how to manage business operations in a cost-effective manner. You are offering a product / service to a target market and it takes careful planning to deliver quality on time and on budget.

This part of your business and marketing plan should include information about:

- Facilities and assets:
 - The location and size of your facility, including floor plans;
 - Your facility's capacity for materials and equipment, percentage being used and how long that will last;
 - Whether you lease or own the facility and equipment;
 - Your proximity to suppliers, if applicable;
 - The quality of your machinery and equipment (is it the best available technology and does it meet industry standards);
 - Your access to transportation;
 - Any future considerations for expansion or moving; and
 - Any renovation considerations and associated costs.

- **Materials and supplies:**
 - The number and reliability of your suppliers;
 - Whether you have adequate storage facilities for materials;
 - Any regulations or permits for supplies / materials; and
 - Any risks associated with materials and supplies, i.e. customs regulations, transportation concerns, environmental issues.

- **Personnel:**
 - Your number of employees, including past, present and future projections;
 - An organizational chart showing how your staff is organized;
 - The skills, training and experience required of your employees, including the cost of training; and
 - What compensation and benefits you provide each position, including all salaries, wages, overtime, and/or fringe benefits.

- **Operations:**
 - The industry standards for production, e.g. ISO requirements, environmental, health and safety standards, etc.;
 - Any relevant government regulations, e.g. environmental safety, hazardous material handling, insurance etc.; and
 - If you are starting a new business, how long it will take to acquire facilities, equipment and personnel before setting up your operations and completing your first production run.

8 Marketing Plan

Your marketing plan is a crucial component of the larger business plan. Here you describe your product and/or service in detail, emphasizing its unique or innovative features. Then you outline your strategic plan for selling your offering within your target market.

Here is a list of elements you should look to cover in this section:

The market

- Describe your potential market and your target customers.
- With all forecasts, remember to include assumptions (interest rates, economic trends, inflation, etc.) that support your estimates.
- Estimate your total potential market (i.e. your number of potential customers and your immediate target market), supporting these estimates with factual data.
- Define your competitive advantage and how your offering satisfies the needs of this market.
- Estimate the growth potential of your immediate market and possible future markets, including national and international markets.
- Include your estimated market share (see sample chart, page 9).

Competition

- Identify your major competitors: who they are, where they are located and their market share.
- Identify any indirect competition.
- Compare your product and/or service with that of your major competitors, e.g. brand name, quality, image, price, etc.
- Compare your company to major competitors, e.g. reputation, size, distribution channels, locations, etc.
- Assess the degree of difficulty for your competition to enter your target market.
- Describe what you have learned from watching your competition.
- Determine whether competitors' sales are increasing, decreasing or remaining steady, and why.

Technology

- Describe how technology impacts your product and/or service.
- Consider how new and emerging technologies will impact your product and/or service, and when investment in new technology may be required.
- Describe how your company can adapt quickly to change.

Socio-political environment

- Describe changing attitudes and trends.
- Assess how flexible and responsive your firm can be.
- Consider laws and regulations that may affect your business, and what the financial impact might be.

Other

- Include other situational factors that will affect your marketing plan, such as regulatory changes, access to venture capital, trade barriers, world economic issues.

You should also:

- Define problems and opportunities:
 - Identify problems or potential problems, as well as opportunities, that affect your business idea, and state what you will do about them.
- Define objectives:
 - Outline your business objectives in precise, measurable terms. Make sure you can quantify your targets.
- Define strategies:
 - Outline how you will reach your objectives – steps you will take in planning, production and marketing to meet your targets.

- Ensure that you have taken into account the previously-mentioned problems and opportunities, and have considered potential reactions of your competitors.

Your action plan

Here is where you address the four “P”s of marketing: product, price, promotion and placement (distribution). Be prepared to explain:

- Your product or services — describe the quality, branding, packaging, modification, servicing of your product and the location of your service;
- Your prices — describe how you will price your product or service so that it will be competitive, yet profitable;
- Your promotion plans — describe how, where, when you will advertise and promote your offerings; and
- Your placement/distribution methods — describe where people will buy your product or have access to your service. Outline your selling methods and sales force: personal selling, mail-order, online. Include the number of salespersons and training required, etc.

Sales projections for the next five years (including optimistic, pessimistic and realistic projections, as well as assumptions) should also be included.

9 Financials

Considerations

The financial section of your business and marketing plan is all about the numbers. Investors are looking for accurate and understandable information that will clearly show them the bottom line.

With this in mind, you want to present your business idea as an attractive investment opportunity, so the following are some suggestions for items that should be listed in this section:

- The total amount of required funding for your business;
- Your use of funds, e.g. equipment, renovations, inventory, working capital;
- Your sources of funds, e.g. owner’s investment, mortgage and/or term loans;
- The projected date when lenders can expect repayment;
- Any liability limits and insurance coverage necessary to handle environmental and other risks;
- Your projected return on investment;
- Economic assumptions (inflation, economic trends, interest rates) that affect your estimates and forecasts; and
- An approximate timeline for return on investment.

Data

This section is where you present the dollar details of your business via standard financial statements and charts. Include financial information in statement, chart or table format, as illustrated in the following samples.

Market Share

Market share is determined by dividing a firm’s sales by total annual market sales.

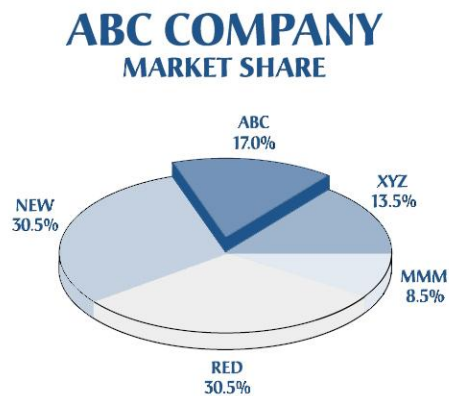
ABC Company	\$ 50,000 (Annual Sales)
XYZ Company	\$ 40,000
NEW Company	\$ 90,000
RED Company	\$ 90,000
MMM Company	\$ 25,000
<hr/>	
Total	\$295,000

Sales of ABC Company (\$50,000) account for approximately 17% of total market sales (\$295,000).

To determine the sales volume of each firm, you should contact suppliers, retailers, trade associations or others who may be in a position to help you form an estimate. Other sources of information include:

- annual reports for each company;
- government reports on industry, market trends, etc.;
- trade publications or journals; and
- www.strategis.ic.gc.ca, an on-line business and consumer information service.

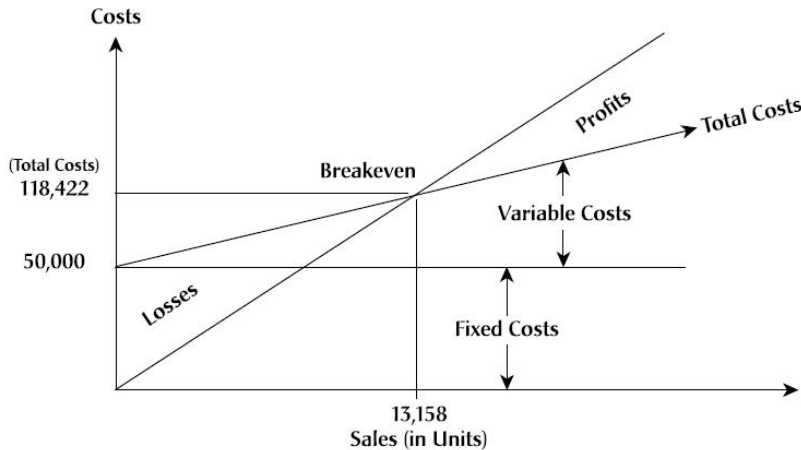
You may find it useful to display market share values in a pie chart like this:



Breakeven Analysis

The breakeven analysis determines at which sales volume your firm will start making money. The Breakeven Formula is: fixed costs (costs that must be paid whether or not any units are produced) divided by variable costs (costs that vary directly with the number of products produced, e.g. materials, labour used to produce units, percentage of overhead).

A breakeven analysis is most clearly illustrated in a chart such as the one shown below. You may use the breakeven analysis to determine how changes in price and sales level, or cost increases or decreases will affect profitability.



Return on Investment

Return on investment (ROI) indicates the efficient use of the firm’s assets. It also allows comparison of businesses with different capital structures. The following formula is used to calculate ROI:

ROI = Net Income + Interest (to remove the effect of borrowed funds) divided by equity.

Cash Flow

Cash flow reveals whether a company will have enough money to meet its needs on a monthly basis.

If you are proposing the expansion of an existing business, a cash flow statement will detail the actual cash flow for a specified past period (normally a year), so you will include the receipts or disbursements that are appropriate for your business, as well as cash receipts for each month.

A cash flow forecast, on the other hand, will detail anticipated monthly inflows and outflows of cash for a future period of time. New start-ups would provide a cash flow forecast only. Some things to keep in mind when preparing your cash flow forecast or statement:

Recording sales — some sales will be made in cash while others may be made on credit. Because sales made on credit will not result in the receipt of cash until a later date, they must not be recorded until the month in which the cash will actually be received. Therefore, the percentage of sales to be made in cash and the percentage to be made on credit must be estimated. The percentage of credit sales should be further broken down according to the business’s different collection periods (30 days, 60 days, etc.).

Loan proceeds — when a deficit appears on the final line, the amount of the deficit will need to be borrowed. Record the amount appearing on the deficit line on the loan proceeds line; then change the deficit to zero. This shows investors when you will have a cash shortage that will require you to borrow additional funds.

Accounts Payable — accounts payable must be broken down according to your supplier’s terms of payment. For example, items purchased in January may have to be paid in 30 days or 60 days — meaning that the actual cash disbursement would not occur until March and April respectively. Accounts Payable amounts are recorded in the month they will actually be paid.

Here is a sample cash flow forecast for a six month period:

ABC Company Cash flow forecast						
	JAN	FEB	MAR	APR	MAY	JUN
Opening Cash Balance	\$15,000	\$10,040	\$ 3,440	\$ 0	\$ 710	\$ 3,050
RECEIPTS						
Cash rec’d from sales	0	900	1,000	1,200	1,200	1,800
Cash from receivables	0	0	2,700	8,400	9,600	10,800
Loan proceeds	0	0	660	0	0	0
TOTAL RECEIPTS	\$ 0	\$ 900	\$ 4,360	\$ 9,600	\$10,800	\$12,600
DISBURSEMENTS						
Accounts payable	0	2,500	2,500	3,500	3,500	5,500
Rent	400	400	400	400	400	400
Supplies	120	30	30	30	30	30
Utilities	190	190	190	180	150	150
Telephone	50	30	30	30	30	30
Insurance	150	0	0	0	0	0
Advertising & promo	500	500	400	500	400	400
Maintenance & repairs	50	50	50	50	50	50
Wages	1,800	1,600	2,000	2,000	1,700	1,600
Salaries	1,500	1,500	1,500	1,500	1,500	1,500
Taxes	0	0	0	0	0	0
Loan repayment	0	500	500	500	500	500
Professional Fees	200	200	200	200	200	200
TOTAL DISBURSEMENTS	\$ 4,960	\$ 7,500	\$7,800	\$ 8,890	\$ 8,460	\$10,360
SURPLUS (DEFICIT)	\$10,040	\$ 3,440	\$ 0	\$ 710	\$ 3,050	\$ 5,290

The Income Statement

The income statement is a financial statement that reveals whether a business has earned a profit or has suffered a loss after a specified period. An income statement may also be referred to as a “profit and loss statement” or an “operating statement”. A “Pro Forma Income Statement” is used to show how things will be under given conditions rather than how they are at present. An income statement usually includes the following:

- The **legal name** of your business;
- The **end date** of the period covered;
- Your business **revenue** (i.e. proceeds from your sales of goods and services, after deducting returns, allowances and discounts);
- The **cost of goods** sold (i.e. the cost of materials and labour actually used to manufacture your product or to provide your service, including subcontracting or cost of goods purchased for sale);
- Your **gross profit** (i.e. your revenue minus cost of goods sold);
- Your **expenses** including all selling, administrative and financial expenses, such as sales personnel, salaries and commissions, promotion, advertising, rent expense, telephone, clerical staff, management, accounting, utilities, office supplies, depreciation on assets, interest payment, insurance, professional fees, vehicle and travel expenses, etc.;
- Your **net income before taxes** (i.e. your gross profit minus expenses);
- **Less: Income taxes** (i.e. your tax rate multiplied by net income before taxes); and
- Your **net income** (loss) (i.e. your net income before taxes minus income taxes).

Here is a sample income statement:

ABC COMPANY		
Sample Income Statement for (year)		
REVENUE		\$224,500
COST OF GOODS SOLD		
Inventory, beginning of year	\$ 15,000	
Direct labour	55,000	
Materials & supplies	48,000	
Less: Inventory, end of year	<u>(12,500)</u>	
Total Cost of Goods Sold:		<u>\$105,500</u>
GROSS PROFIT		\$119,000
EXPENSES		
Advertising and promotion	\$ 5,100	
Depreciation, equipment	2,500	
Electricity	3,500	
Insurance	1,500	
Interest and bank charges	7,000	
Maintenance and repairs	400	
Professional fees	2,000	
Salaries and benefits	45,000	
Office Supplies	600	
Telephone	3,500	
Vehicle and travel expenses	<u>8,000</u>	
Total Expenses		<u>\$79,100</u>
NET INCOME BEFORE TAXES		\$39,900
Less: Income Taxes		<u>\$13,900</u>
NET INCOME		\$26,000

Balance Sheet

The balance sheet is a “snapshot” of what you own and what you owe. A “pro forma balance sheet” shows how things will be under given conditions rather than how they are. A balance sheet follows a standard format, including the legal name of your business, relevant dates, assets, liabilities and owner equity; however, it may contain additional items depending on circumstances relating to the business for which it is prepared.

Here is a sample balance sheet:

ABC Company		
Balance Sheet		
Day / Month / Year		
Assets		
<i>Current Assets:</i>		
Cash	\$ 1,000	
Accounts Receivable	400	
Merchandise inventory	13,980	
Office supplies	120	
Store supplies	3,060	
Prepaid insurance	190	
<i>Total Current Assets</i>		<i>\$ 18,750</i>
<i>Plant and equipment:</i>		
Office equipment	\$ 1,800	
Less: Accumulated depreciation	480	
		\$ 1,320
Store equipment	\$ 3,800	
Less: Accumulated depreciation	850	
		\$ 2,950
Buildings	\$95,000	
Less: Accumulated depreciation	9,300	
		\$85,700
Land	\$37,270	
<i>Total plant and equipment</i>		<i>\$122,970</i>
Total assets		\$141,720
Liabilities		
Accounts payable	\$ 2,700	
Accrued wages	3,000	
Sales tax payable	900	
<i>Total Liabilities</i>		<i>\$ 6,600</i>
Owners' Equity		
Jane Doe, capital	\$45,040	
Sue Smith, capital	\$90,080	
<i>Total Owners' Equity</i>		<i>\$135,120</i>
Total Liabilities and Owner's Equity		\$141,720

10 A final review

Congratulations. You've researched and drafted a good business and marketing plan.

Before you consider it finished, however, here are some things to keep in mind as you make a final polish and review of all your hard work:

- ✓ Make sure your plan is complete. Be certain it takes a look at the past, accurately describes your business today, identifies your target market, competition and key players in the industry, and outlines where you want to go with your business over the next five years.
- ✓ Review your entire plan with an eye to honesty and detail. Make sure it reflects your thorough research and the uniqueness of your business idea.
- ✓ Pay particular attention to your executive summary; a good executive summary could be your foot in the door to getting an investor's attention.
- ✓ Ensure that you've outlined not only key problems, but also your proposed solutions.
- ✓ Make certain that you've described technical products and manufacturing processes in terms that everyone can understand.
- ✓ Check the numbers. Ensure you've been as accurate as possible in your forecasting — remember that investors are going to be conservative.
- ✓ And, of course, be sure to correct all grammar and spelling errors — you don't want anything to take away from the polish and professionalism of your presentation.

And finally, remember — a business and marketing plan is a living document that you should revisit, revise and reference often as your business evolves over time.

Still looking for advice?

If you still need help preparing your business plan, call 1-888-576-4444 to speak with an information officer, or contact the ACOA and/or Canada Business centre nearest you.

Canada Business also offers a series of business plan templates via their internet site at www.canadabusiness.ca.

The Atlantic Canada Opportunities Agency works with businesses and communities to make Atlantic Canada more innovative, productive and competitive. Together, with Atlantic Canadians, we are building a stronger economy.

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Commitment to Sustainable Development

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