

# **CBDC Business Start-Up Course**

## ***Lesson Three – How to Write a Business Plan***

**Presented by Community Business Development Corporations**



**Community Business Development Corporation**  
**Corporation au bénéfice du développement communautaire**

## **How to Write a Business Plan**

### **Getting Started**

#### **Small Business Planning Help for Entrepreneurs and Start-Ups**

There are lots of ways to start a small business, but each approach shares common elements for entrepreneurs and start-ups to consider. Please look over the following considerations that all small businesses and entrepreneurs need to address. Feel free to contact CBDC at one of our many offices across Newfoundland & Labrador, Nova Scotia, Prince Edward Island and New Brunswick.

#### **Time investment**

How much time do you have to develop and plan your business idea? By allowing yourself enough time to plan properly, you will likely avoid mistakes that often prove costly to entrepreneurs and start-up businesses.

#### **Money**

How much funding do you have access to? Most start-ups and entrepreneurs find out their businesses need more capital than initially anticipated. The amount of financing needed varies from business to business. You should plan to have access to enough capital to deal with any potential situations, so you don't run into cash flow issues or miss potential business opportunities.

#### **Expertise and experience**

Possessing the particular skills and knowledge for any industry or business is essential to success. If not, it makes sense to get some training or work in the industry until you acquire the experience and knowledge you need to succeed.

#### **Risk tolerance**

Being an entrepreneur and starting a business is always risky, both personally and financially. But how much risk is involved in your venture? Careful reflection and an honest assessment of your personality, responsibilities and finances to find out how much risk you can handle is crucial. This could eliminate some of the more high-risk opportunities.

#### **Financial return**

Everybody has a dream. But dreams don't put food on the table. Have you asked yourself if you can really make a living in this new business? Some people go into business without a clear idea of just how profitable the venture will be. Take the time to figure out if your business income will justify your time and effort and provide you with the lifestyle you need and want.

#### **Personal enjoyment and fulfillment**

There's nothing better than doing something you love. Will you enjoy the business? Starting and owning a small business can be one of the most difficult experiences you'll ever have and involves long and often stressful hours. There will be hurdles to get past, and you'll need commitment, strength and self-sacrifice for the road ahead.

### **Consider your family**

If you're married and have a family, you don't go into a new business alone. How will this new business affect your family? Significant sacrifices in both money and time are necessary for the startup of any business. Even many established entrepreneurs continue to work long hours. You need to determine whether your savings or profits from the business will provide you and your family with the standard of living they need, especially in the initial stages of the business. You will also need to find out how committed your family is to the business. For example, will they be able to cope with the extra hours needed to get a small business up and running?

### **Professional help and advice**

Knowing a lot about the type of business you are starting is only half the battle of being a startup entrepreneur. There are many other aspects involved in starting a business: tax and legal issues, finance, accounting, bookkeeping, hiring employees, insurance and regulations, etc. Most entrepreneurs need expert help with this. It's essential that you enlist the help of professionals such as: accountants, lawyers, insurance brokers, accredited financial planners, bankers and government agents to make sure you have the best advice you can and to avoid the mistakes and pitfalls that can come back to haunt you down the road.

## **Market Analysis**

Performing a market analysis is a key component of the business planning process. When you perform a market analysis through writing your business plan and analysing the data to determine the viability of your business, or whether you think you will have enough customers for your business to survive, you are doing market analysis.

### **Studying the Market**

The first thing you need to do when thinking about starting a new business is to determine whether you can make a success of it. This means asking tough questions about the potential demand for your products, how much you can charge and whether payback will be sufficient to make it worth your while. This information is part of your business plan, but also informs your marketing plan because it helps you identify your target market, which essentially identifies your *ideal customer* or the type of person you will focus your marketing efforts on.

## **Business Market Research**

Solid and accurate market research is the key to any successful business startup. Do not underestimate the importance of this part of a business plan. Once you've finished your market research, you can use it as the starting point for developing one of the fundamental components of any business startup - the business plan.

The first step is to ask yourself some serious questions: is there sufficient demand for your products or services? What are your prices or fees going to be? Will they be sufficient for you to cover business expenses and turn a profit for yourself? This information is provided by a marketing plan.

Market research studies are as different as the businesses they are made for, but most attempt to answer some fundamental questions:

- Is there a realistic market for my services or products?
- Who and where will my customers be?
- How many units can I sell?
- How much can I charge?
- Who is my competition and do I have any competitive advantages?
- Who will my suppliers be and how much will they charge?
- What credit terms are they likely to offer?
- Do I have ready access to my market and what is the cost associated with that?
- Will my business generate sufficient profit to justify the sacrifices which I'll have to make?

Armed with answers to these questions and a properly laid out marketing plan, you will be in a much better position to determine the viability of your idea.

Getting the information for such a plan can be easy. For instance, one possible technique is to interview potential customers or those already in the industry. Trade and industry associations can also be helpful since they possess in-depth information about their industries.

Numerous databases and publications can help you assess the potential of industries and markets. (A visit to your local CBDC office in NS, NL, NB or PEI is a good first step in getting this information).

Business plans are dynamic and should be responsive, they are only helpful if they change as your business changes. Don't just prepare a marketing plan and file it away in your desk. Revisit your market research and marketing plan from time to time to ensure you adjust your business to new developments and make the changes required to remain successful. Your marketing plan should guide and support your business efforts on an ongoing basis.

The CBDC Fillable Business Plan walks aspiring business owners through the market analysis process in ten steps, prompting you to think about what your market actually looks like, and really think critically about whether your business endeavour has the potential to be profitable. Follow the steps:

1. Summarize your market.
2. Describe your region.
3. What is the population of your region?
4. What is your target market profile? (age, gender, income, occupation, lifestyle)
5. How many potential customers are there in your region?
6. Describe your trading area.
7. Provide a market justification (why do you think the trading area and potential customers can support your business?)
8. Calculated how much you think the average customer will spend on your product or service per year.
9. List your competitors.
10. Perform SWOT (Strengths/Weaknesses – Opportunities/Threats) analysis of your business compared to your competitors.

The above qualitative analysis will help you perform the quantitative analysis outlined below, where you're able to punch the numbers you've come to in your research above to help you estimate your sales potential.

### **Determine your potential sales**

- How to determine your potential sales in your target market.
- Total population of the city = (the total number of individuals or businesses in the target area)
- Total potential customers = (the number of individuals or businesses that represent your target customers)
- % of potential customers =
- Number of competitors = (add 3 for the following elements: 1 new store, 1 Internet, 1 outside purchase)
- Your potential customers = (total potential customers divided by the number of competitors)
- Estimated market share =
- Sales per customer = (the average amount spent annually per customer)
- Your potential sales = (number of potential customers multiplied by the annual buying average)

**Example: Women's shoe store (target market: women between 18 and 65)**

- Total population in the city = 16,200 (8400 women, 7800 men)
- Total potential customers = 6,200 (8400 women, target market between 18 and 65: 6200)
- % of potential customers = 38% (6200 women/16200)
- Number of competitors = 8 (5 + 1 new store + 1 purchase outside the area + 1 Internet)
- Your potential customers = 775 (6200 divided by 8)
- Estimated market share = 13% (775 women/6200 women)
- Sales per customer = \$180 (a woman spends on average \$180 per year on shoes)
- Your potential sales = \$139,500 (\$180 x 775)

### **Marketing to Your Target Market**

A successful market analysis helps you determine not only the viability of your business, but it is also critical for determining your target market which is an important piece of information for Part Five – Marketing Strategy, of this course.

## **Key Elements of the Business Plan**

### **Introduction:**

- **Date**
- **Name of the Company**
- **Name of Applicant(s)**
- **Contact Information:** including phone, email and mailing address for the applicant(s) and company
- **Legal Structure:** What is the legal structure of your business?
  - General Partnership
  - Incorporated
  - Sole Proprietorship
  - Co-operative
- **Proposed Business Location**

**Ownership and Management:** This section contains the following information:

- List of directors, shareholders and key staff: including name, position held, contact information for each person listed.
- Explanation of duties and responsibilities of management and key staff.

**Business Description:** This section will contain the following:

- **Business Description:** Must specifically describe the nature of the business and why it will be successful.
- **Key dates:** List key dates for the acquisition of equipment, inventory, staffing, financing, and other items needed before business operations will commence.

**Market Summary:** This section contains the following information:

- **Product/Service:** Please list each product and/or service in this section, providing as much detail as possible. If a similar product and/or service exists in your trading area, describe any advantages your business may have (i.e. pricing, supply of raw materials, transportation, etc.)
- Whether your business is seasonal
- List the hours of operation
- Describe the business' typical customer (i.e. age range, income level, etc.). If your clients will be other businesses or the general public? If other businesses, name them. Do you have letters of intent? (Provide letters of intent where possible.)
- **Trading Area:** Will all your business be generated within your local community or will your business draw customers from surrounding communities?
- **Existing Business Competition:** Who are your competitors, where are they located, and how long have they been in business? Strengths and Weaknesses?
- **Market Justification:** Why do you feel the identified trading area can support your proposed project?
- **Advertising / Promotion:** How do you propose to advertise your product/service? Identify the cost of doing so.
- **Basis of Projection:** Was this market information obtained from a similar type of operation, or on the basis of industry norms, or some other method?

**Financial:** This section contains the following information:

- **Historical Financial Statements:** Enclose statements for the last three years of operation (if applicable).
- **Pro-Forma Financial Statements:** The following would be included in the Pro-forma financial statement section:
  - Balance Sheet – Yearly for three years
  - Income Statement – Yearly for three years
  - Statement of Cash Flow – Projected on a monthly basis for the first two years of operation
  - Sales necessary to break-even

- If sole proprietor please include your personal income tax notice of assessment for the past three years.
- **Forecast Assumptions:** The following would be included in the forecast assumption section:
  - **Sales:** Explain how you arrived at sales figures: i.e. the percentage of the total market, number of units sold, selling price, sales by unit of time – week, month, year, etc.
  - **Material Costs:** Related directly to the number of units sold
  - **Salaries / Wages and Benefits:** Please list the owner’s salary/wage separately
  - **Other Expenses:** State the basis for amounts shown in each of the expense categories and whether they are estimates or quoted costs. Ensure your interest and bank charges reflect the proposed debt included in your loan application.
  - **Other Income:** Clearly explain any items in this area and state whether they are extraordinary or ongoing.
  - **Drawings / Taxes:** If the business is not incorporated, ensure you include the total amount of cash withdrawals by the proprietor or all partners. Also, allow for taxes on profits earned.

## Planning a business

After finishing your market research and study, you can use it as the starting point for developing one of the most important foundations of any business – the business plan.

A business plan helps you succeed in many ways. They’re essential when looking for loans; they help you gauge your progress and they’ll tell you where you’re going and the path you should take to get there. Business plans typically include a description of your business and the industry details such as customers, competitors, suppliers, the products and services you’ll offer, your pricing or fees, sales, and your marketing and production plans.

You’ll also need to outline the opportunities and threats facing your business, the resources you will require, your expansion plans, and current and projected financial statements.

### Plan to succeed

Business planning is not just important, it’s critical. This is fairly obvious when starting a business, but don’t forget to continue to plan as your business grows. Continual planning is necessary to help you avoid some of the pitfalls and hurdles that go along with expansion.

One often overlooked part of business planning is human resource development - the hiring and management of employees. Good people are at the heart of any business. Finding and recruiting employees with the right training, experience and skills to make your business a success is fundamental.



You must be aware of the numerous legal, tax and regulatory requirements associated with having employees on your payroll. Provincial regulations include employment standards, workers' compensation, minimum wages, and occupational health and safety standards.

Others fall under federal jurisdiction and include Employment Insurance, Canada Pension Plan and Income Tax. For further information, you should contact the appropriate provincial and federal government departments or professionals such as a lawyer or accountant.

Business planning is an ongoing process, especially in these times of rapid technological and economic change. No business stays the same for long. You need to adapt to changing industries, markets and economies. You must revise your plan periodically to compensate for changing circumstances. This will allow your business plan to keep working for you. The process of rethinking and reworking the plan will force you to consider new ways of doing business, new markets or new products and services. This can offer you new ways of increasing revenues or cutting costs.

For more information and assistance in developing your business plan please explore the rest of our website. Or, send us an email or pay us a visit at one of 41 local CBDC offices in New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland & Labrador.

Lesson Three of the CBDC Business Start-Up Course has covered the topic *How To Write A Business Plan*, and touched on the subjects of getting started, market analysis, the key elements of a business plan and planning a business. The next lesson in this part of this course is *Lesson Four – I Am Ready To Start A Business*.