

PLANNING YOUR BUSINESS

**LAKE BABINE NATION
Economic Development Department**

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What is a Business Plan?

A business plan helps you determine if your business is likely to be viable, and focuses your efforts to improve your chances of success. As you prepare your plan you will get the answers to key questions: Is my business viable? What are the strengths and weaknesses of my business? Who are my customers, and how do I plan to get them to buy from me? Who are my competitors? What skills will I need to properly run this business?

Business plans are mostly for YOU! Some people see a business plan simply as work they have to do to get money from a bank or investor. Not so! Business plans are very effective at making your business more successful, and reducing the chances of failure. That is why banks, investors and lenders like Community Futures require them.

BUSINESS PLANS WORK!

There are two parts to your business plan:

Your Vision. A description of your business, covering the products you are selling, who your customers are, how you will make them want to buy from you, who your competition is, etc. This is where you explain your plans for today and areas of expansion for tomorrow.

Your Financial Needs. A summary of the money needed to get your new business off the ground, or change/expand/refinance your existing one. It includes projections of the sales, cash and expenses that you expect your company to have over the next one to three years.

How do I use this package?

This package leads you through both the Vision and Financial sections of your business plan. Each section has several parts, with each part containing a list of questions. Your business plan is made up of the answers to those questions.

This business plan package has “fill-in-the-blank” pages for each section. On one page is a list of questions for that section. On the other is space for each section, for you to write your answers. You should answer any questions that apply to your business.

You do not have to use the “fill-in-the-blank” format; you are free to use any format you wish. However, be sure that your plan covers the areas outlined in this package.

The Keys to a Business Plan

A business plan has four key parts:

1. Description of the business.

- Your Products — the goods or services you will provide.
- Your Customers — the people who will buy your products, and why they will buy.
- Your Marketing Plan — how you will tell your customers to buy from you.
- Your Competition — other companies who are competing for your customers.

2. Market Research.

- Customer surveys; the experience of firms doing similar things; feedback from trade associations, Chambers of Commerce, and other related business organisations.

3. Management.

- The skills and abilities of the people who will be setting the direction for the company.

4. Financial Projections & History.

- Cashflow forecast for the first 12 months of operation
- Financial records from historical operations (when you are buying an existing business).

A. PRODUCTS/SERVICES

A product is a good you sell or a service you provide. Your business may focus on one type of product, or it may offer several different kinds. It is crucial that you have a clear understanding of the different kinds of products you offer (or plan to offer) because this will help you identify who your customers are.

Concentrate on major types of product rather than listing every single item. Consider these examples:

- A retail jewellery store might have four areas (fine gold jewellery, fashion jewellery, giftware and china/crystal/silverware), or it may focus on one or two of these areas.
- A carpenter offering a full range of services may have two areas: major jobs (house construction, sun decks, and trusses) and basic home renovation/maintenance.
- A restaurant may also offer catering services to hotels and cater private functions (home & office parties, special events, etc.) — three areas in total.

The reason for listing each of these separately is that each area will have different types of customers with different needs. You may want to promote each area of your business in a different way from the others, since the advertising that reaches one market may not reach others.

Products/Services

(The goods you sell or the services you provide)

Product #1:

Product #2:

Product #3:

Product #4:

B. CUSTOMERS

1. Your Market Area

Where do your customers live? Are you appealing to people in your community? Can you draw on several communities in a region? Will you be actively selling to people across Northern BC? Focus on your main market areas.

2. Your Customers

Who are your customers? What do they want? Why do they buy your type of product — what needs does it fulfil? For each of your products, consider your:

Main Customers — the people who will use your products the most, and will provide the majority of your sales.

Secondary Customers — people who will buy your products, but will not be your main customers.

**For many firms, 80% of the sales come
from
20% of the customers!**

3. Demand for Your Products

For each of your main types of products (the goods you sell or services you provide), is your market growing, shrinking or stable? Do you expect any major changes in the demand for your types of products in the near future (within five years)? Focus on the overall demand for your types of products, not the demand for your business.

Customers

1. Your Market Area

2. Your Customers

Product 1

Product 2

Product 3

Product 4

3. Demand for Your Products

C. MARKETING PLAN

1. Marketing Strategy

How will you tell your customers about your products and convince them to buy from you?

Marketing is more than just advertising. Your marketing strategy is where you promote your products and your firm, trying to create a perception of value among your customers. This could include areas such as customer service, discounts, special sales, charities/causes your business may support, and advertising.

Include the strategies you will use (follow trends, innovate), the advertising planned, and sales tools (discount, coupons, etc.).

**Show marketing costs on your
Cashflow!**

2. Price

How do your prices compare with those of your competitors? Keep in mind three things:

1. If your products are *more expensive* than your competitors, why will your customers be willing to pay extra price?
2. If your products are *cheaper* than your competitors, can that affect the way that customers view the value of your products?
3. If your products are *the same price* as your competitors, do you have other plans to set yourself apart from the rest?

3. Location

Your location can be a vital part of your success, depending on the kind of business you are in. Location will be crucial for retail sales and consumer services, along with some business-oriented services. Location is not crucial for all firms — a wide range of firms are run from home, including accounting, marketing, word processing, and so on.

Marketing Plan

1. Marketing Strategy.

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2. Price

3. Location

D. COMPETITION

One of the main keys to your success will be in establishing a market niche for your business. To do this, you must understand who your competitors are, where their strengths are, and more importantly where they are weak.

Disposable income is limited, and many businesses are competing for it! There is only a limited amount of “spending money,” and many different ways of spending it. Every product has competition of some kind, and it is important to know who your competitors are.

When looking at your competition, include direct competitors and substitutes. Substitutes are products that are different from yours, but can compete for your market. For example, an ethnic restaurant may have no direct competition, but would still compete with other firms that cater to the “dine-out” market.

What do your competitors do right?
Why will your customers use you?

1. Competitors

Who are your competitors? Are they expanding? Are new competitors starting up in or moving into your market? Is the market saturated?

Look closely at your competitors’ market “niche.” Are they appealing to certain types of customers? Are they focusing on certain features of their products? Why do people buy from them? This info can give you many ideas how to set your company apart from the crowd, and create your own niche.

2. Advantages & Disadvantages of Your Products

What advantages do your products offer compared with the products of your competitors? What are the disadvantages, relative to those available through your competitors?

3. Your Company's Strengths / Weaknesses

What are the strengths of your company (not your products), compared with your competitors? What are the weaknesses, compared with your competitors?

4. Your Plans to Overcome Weaknesses / Disadvantages.

How will you overcome your weakness, or the disadvantages of your products? What are your plans to improve your weak areas? This is a crucial area, and one that should be looked at very closely.

Competition

1. Major Competitors

	Store / Product	Main Focus / "Niche"
A.		
B.		
C.		
D.		

2. Products/Services

<i>Advantages</i>	<i>Disadvantages</i>

3. Company

<i>Strengths</i>	<i>Weaknesses</i>

4. Plans to Overcome Weaknesses / Disadvantages

E. MARKET RESEARCH

Market research plays a very important part in determining whether your business idea is viable. What it really boils down to is asking your customers whether they will buy your product. If properly done, it should help you answer very important questions such as:

- Will the customers buy your product?
- Are they interested in the benefits your products offer?
- What features are important to them? Why do they buy?
- Where do they look when deciding what to buy (newspapers, flyers, radio, TV, etc.)?
- How much will they buy?
- What prices do they expect to pay?

Market research can be simple and straightforward to do. You do not need to hire an outside company: in fact, the best market research is often the kind you do yourself. How you do the research will depend on the type of business you want to start and the nature of your customers. You may wish to consider checking in these areas:

- ***The customers themselves.*** These may be the final consumers or firms re-selling your products to those consumers.
- ***Firms providing similar products in similar markets.*** The closer the match, the more valuable the information. Try to find similar sized markets to your own.
- ***Trade & Business Associations.*** Trade associations can give you valuable insights into current trends and developments in your field, as can business associations such as the local Chamber of Commerce, tourism association, etc..
- ***Statistics.*** Industry averages for cost of goods, advertising, etc. can give good guidelines on how others run their businesses. Housing starts, business licenses, population age groups and various other information may be important indicators of your potential market.

On the next page are examples of questions you may want to ask when talking to customers and similar firms. Statistics are available from business libraries at organisations such as the Prince George Region Development Corporation, Community Futures, the Chamber of Commerce, local college or university, and municipal office.

Tips for Surveys.

- Market surveys should be brief.
- Avoid asking too many questions.
- Decide what information you **MUST** have, and only ask questions that focus on those areas. A good market survey can ask as few as 4-6 questions, and take less than 10 minutes.

Market Research

Sample Surveys and Questions

The following survey questions are only examples — feel free to change, ignore & add questions as needed for your specific products and markets. Community Futures has sample survey formats, should further details on market surveys be helpful.

A. Customers

1. Introduce yourself — get their permission to ask a few questions.

Example: New Business.

“Hi. My name is Jane Doe and I'm looking at starting a business selling speciality sports equipment. May I have 5 minutes of your time to ask you 6 questions?”

Example: Existing Business.

“Hi. I'm Jane Doe and I run XYZ Sports. We're looking at adding new sports lines to our store. May I have 5 minutes of your time to ask you 6 questions?”

2. Describe the business — keep it very short (3 sentences max.)

Example: *“We offer top-quality name-brand equipment for the serious athlete, focusing on (examples).”*

3. Sample Questions — substitute your good or service for “product” below.

- Where do you currently buy this product?
- Why?
- What's most important to you when buying this product?
- How important to you is (list 1-2 features you will offer, such as after-sales service, knowledgeable staff, price, etc.). Consider a scale of 1-5, 1=not important, 5=critical.
- What would you most like to see improved in this area (e.g.: service, delivery time, etc.)?
- When you need to buy this product, where do you look (e.g.: Yellow pages, radio, etc.)?

End with a question like: *“If I start this business, may I contact you?”* If they give you permission, take their name, address and phone number to add to your mailing list.

B. Other Firms

Introduce yourself to the owner or manager and explain quickly the type of business you want to start. If it is a convenient time, ask them questions such as:

- What kinds of customers do you serve?
- How much competition do you have? How has it changed over time? Why?
- How do you advertise to your customers? What works / does not work? Why?
- What kind of sales (daily, monthly or yearly — whatever applies) did you achieve in your 1st year? 2nd? 3rd? OR: I hope to sell \$_____ in my 1st year. How does this compare with your experience?

Market Research

It is important to be able to answer question such as:

- What are your sales assumptions based on? How did you check out the opportunity?
- What did your customers tell you about the amount they use your type of service, and whether they would use you?

Market Research: What your customers think of your idea.

What kind of market research did you do?

(What kinds of customers, or who specifically, did you talk to? What did you ask them?)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

What did your research tell you?

(How receptive were they to your products? How much do they think they will buy from you?)

[illegible]

F. MANAGEMENT

As the entrepreneur, your skills will play a vital part in your success or failure. There is far more to running a company than simply providing the good or service itself. All businesses require skills in organisation, sales, customer relations, crisis management, marketing and technical areas. Successful entrepreneurs either have sufficient experience in these areas to be reasonably effective, or have people with those skills who they can draw on.

Running your own business is not for everyone. There are several self-assessment books and tests on the market. These are useful because they help you look at your strengths and weaknesses. It is important to consider these areas as carefully and honestly as possible.

You will also need to have plans for overcoming your weaknesses. No one is strong in every area. An effective entrepreneur knows where they are weak and has plans for compensating for those weaknesses. You may need to hire staff, take training in some of your weak areas, or arrange with someone to provide those skills (e.g.: bookkeeper, lawyer, advertising rep, etc.)

In this section outline your skills and experience in the following areas:

Technical

- Your ability to provide the service or make the good.

Marketing & Promotion

- Sales — your background selling products.
- Promotion — your exposure to using advertising or promoting products.

Financial & Administrative

- Financial Management — your background handling books, tracking cash, etc.
- Organisation & Administration — your experience managing many details at the same time.

Weaknesses do NOT mean that you shouldn't consider going into business. Everyone has weaknesses. However, they are an indication that you should make plans to deal with these weak areas — don't ignore them.

Management

Outline your skills, abilities and experience in the following areas:

Technical

Marketing: Sales

Marketing: Promotion

Financial

Organization & Administration

G. COMPANY STRUCTURE

In this section, you describe your business. Complete this section whether you are planning to start a new business, expand your current business, or purchase an existing business.

Name and Address

If you have not committed to a specific location yet, put down the expected site.

Company Structure Is this a:

- Proprietorship — a business owned, managed and controlled by one person.
- Partnership — a business where two or more people share ownership.
- Limited company — a company that is legally separate from its owners.

Status

Are you starting a brand new business? Taking over of an existing business? Expanding your current business? Refinancing your existing debts?

Type of Business

Is this a manufacturing firm, a retail store, or a service?

- Manufacturing firms make goods.
- Retail firms sell goods to consumers.
- Service firms sell their skills to their clients. Their clients may be consumers or other firms. While they may sell some items, their main product is the service they provide.

A business may cover several of these areas, such as a manufacturer who sells direct to consumers. If this is the case for you, check all that apply. However, only check major areas, not those that make up only a small part of your overall business.

Price of Purchase / Expansion

If you are already in business and plan to expand, give details about the costs of your expansion. If you are planning to purchase an existing business, how much is the price?

Reason for Unprofitability / Decline

If the business has been operating at a loss, what are the reasons? Are they due to one-time events, or is this an on-going problem? If you are planning to purchase an existing business that has this problem, make sure you have plenty of background information on this area.

Plans for Change

What will you do differently? What changes will you be making to the business?

Company Structure

Company Name:

Address:

Company Structure:

Proprietorship
Partnership (# __)
Limited Company

Status

Start-up
Purchase Existing
Expand Existing
Refinance

Type of Firm:

Manufacturing
Retail
Service

Price of Purchase / Expansion:

NOTE: Totals for each section are fine. Give a more detailed breakdown of costs in the Use & Source of Funds section.

Item	Cost
Buildings	\$
Improvements	\$
Equipment	\$
Inventory	\$
Goodwill	\$
Other	\$
Total Price	\$

Unprofitability / Decline: Reason

Plans for Change

H. PRODUCTION PLAN

Most firms sell goods as part of their business, whether they are manufacturers, retailers or services. Manufacturers make goods, retailers sell them, and many services carry them as part of delivering their service. In this section, outline how you will make your product.

1. Facility Required

What special facilities do you require to make your product or provide your service? Will you be operating out of your home? If not, where will you be located?

2. Delivery of Products / Supplies

Who are your suppliers? Have you made arrangements for ensuring that your supplies arrive when needed?

3. Staffing Requirements

What staff and skills will you have to hire? Will you need staff for sales, management, technical or other functions?

4. Technological Innovations in Your Field

Are you in a field where technology is rapidly changing? If so, how can this affect you? If your products can become outdated quickly, you need to be aware of this and make plans accordingly.

5. Age of Your Equipment

If you need equipment to make your good or provide your service, how old is it? Could changing technology turn your equipment obsolete? Does it look like new regulations might force you to change your equipment, or give advantages to competitors with different machinery? Can your equipment adjust to meet these changes?

Production Plan

1. Facilities Required

2. Delivery of Supplies / Products

3. Staff Needs

4. Technological Innovation in Your Field

5. Age of Your Equipment

I. NOT-SO-MINOR DETAILS

Businesses are affected by many regulations, and these cannot be ignored. Items like insurance and administration can be relatively minor details, if they are handled properly. If not, they can consume a great deal of your time (and money).

1. Licenses and permits

- **Business License** — Do you have your current license from the local government?
- **Name registration** — Have you registered your company's name with the Provincial Registrar of Companies?
- **Provincial Sales Tax** — Do you have a Social Services Tax Number (or Exceptions Certificate Number)?
- **GST** — Have you registered?
- **Revenue Canada** — Do you have an Employer Registration number?
- **WCB** — Do you require a Workers Compensation Board assessment number?
- **Zoning** — Which zoning regulations apply to your business? How will you be affected?

2. Insurance

What types of insurance will you need? How much does each type cost? Show the costs in the Cash Flow, which is in the Financial section.

3. Administration

Who will handle your: bookkeeping, year-end accounting / taxes, legal matters?

**Specific contacts for each area
are given in the next section
(Start-up Checklist)**

Not-So-Minor Details

1. Licenses and Permits

Business License:

Name Registration:

Provincial Sales Tax:

GST:

Revenue Canada:

WCB:

Special Licenses:

Zoning:

2. Insurance: Types Needed

3. Administration

Bookkeeping:

Year-End Statements:

Legal:

Start-Up Checklist

Register Your Company Name

To register your business, contact the BC Government Access Centre in your community (see list at the bottom of the next page). Alternatively, you may register your business at the Aboriginal Business Development Centre.

Insurance

Think about your insurance needs, including things like theft, fire and liability. Talk to an insurance agent. It is important to make sure you are adequately protected, so that you are covered if something goes wrong.

Zoning

Make sure that the zoning regulations allow your type of business to operate in the location you want. **Don't assume — check!** This is particularly important for home-based businesses. Contact your municipal planning department ("Municipal Governments," next page).

Business License

Licenses can be obtained from your municipality (see list on the next page).

Other Licenses

You may require special licenses from the Municipal, Regional, Provincial and/or Federal governments, depending on your business. Check with the appropriate agencies.

GST (Goods & Services Tax) or PST (Provincial Sales Tax)

Check to see if you are required to charge GST &/or PST. Inquiries and registration can be made at 280 Victoria Street, Prince George, 561-6969, (800) 463-6737 or at the Aboriginal Business Development Centre.

Employees

If you are employing people, pick up:

- the Employment Standards Bulletin and Human Rights information at the Access Centre;
- an Employer's Registration Number from Revenue Canada's Source Deduction Section for EI and CPP deductions 561-6969 or (1-800-463-6737)

Workers Compensation (WCB)

Information about whether you need to carry WCB coverage and the costs can be obtained from the WCB office at 1066 Vancouver Street, Prince George, 563-9264, (800) 663-6623 or the Aboriginal Business Development Centre.

Employee Training

Assistance may be available to locate, train or hire new employees. Contact HRD Canada at:

Prince George
1190 Second Ave.
561-5200

Mackenzie
Mackenzie Blvd.
997-6615

All other areas:
1190 Second Ave. PG.
561-5200

Municipal Government Offices

Prince George
City of Prince George

1100 Patricia Blvd.

Planning: 561-7620
Licenses/Other: 561-7611

Mackenzie
Planning Dept.,

City Hall

60 Centennial
997-3221

McBride
100 Robson 569-2229

Valemount

98 Elm 566-4435

Rural Area
Regional
District
565-9938, 563-
9225, or
1-800-667-1959

BC Government Access Centres

Prince George
1044 Fifth Ave
565-4488

Mackenzie
540 Mackenzie Blvd.
997-4270

Valemount
1201 Fifth Ave.
566-4448

565-4299 Information for BC tax numbers (PST)

FINANCIAL NEEDS

In the previous section, you covered the vision of your business - the products you will sell, your customers, how you stack up against your competition, the equipment you need, your marketing plan, and so on. Now you can determine how much money you will need to get the business off the ground, and keep it going.

Determining your financial needs involves these areas:

- Use & Source of Funds — how much money you need, and where you will get it from.
- Equity Form (SEB Program applicants only) — the Self-Employment Benefit (SEB) Program has requirements for equity invested by the entrepreneurs.
- Owner's Drawings — calculation of your personal living expenses, and the amount you plan to take out of the business.
- Sales Forecast: Assumptions — what you base your sales forecasts on.
- Cash Flow Projection — a 12-month estimate of sales and cash into your business.
- Arranging Financing - information needed to get any loans/investments you require to start the business.

Each of these is covered in detail in the following pages.

J. USE & SOURCE OF FUNDS

This section outlines the money that you will need to start your new business or expand your existing business, along with where the money will be coming from. The first part (what you need) is the Use of Funds, while the second (where it comes from) is the Source of Funds.

Use of Funds

This section should cover whatever you need to start or expand your business, including items you already have. Let's assume your business requires \$10,000 in equipment to operate, and you already have \$3,000. You would show the full picture (\$10,000) in the appropriate section of the Use of Funds, **NOT** just the part that you don't have yet (\$7,000).

The Use of Funds is a summary showing the amount needed in each area. While it shows the complete picture, it is not necessary to put every single item on the sheet - only major items should be listed individually. If you have an itemised list, feel free to attach it to the plan.

The Use of Funds covers the following categories:

- Capital Items - major pieces of equipment you need to start or expand.
- Inventory.
- Other costs - advertising/marketing, business licenses, accounting/bookkeeping fees and other costs related to start-up or expansion.
- Renovations.
- Operating line - similar to a line of credit, these are funds you need to carry you through slow periods, and provide a "buffer" for your operation.

Complete only those categories that apply to your business. List the items you are contributing to the business separately from those you will have to buy. Using the same example you would show \$3,000 in owned equipment and \$7,000 in equipment to be purchased/leased, rather than a \$10,000 total.

Source of Funds.

Once you know what your needs are, you need to determine where the money will come from. List the cash and assets that you are contributing to the start-up or expansion. Show the full amount of any leases, bank loans, investments by partners or other investors, and the like.

Use of Funds

Capital Items	Have Already	Need to buy
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
Inventory:	\$	\$
	\$	\$
Other Costs:	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
Renovations:	\$	\$
Operating Capital / Line:	\$	\$
TOTAL USE OF FUNDS	\$	\$

Source of Funds

Grant (ABC, INAC)	\$
Loan (ANTCO, CFDC)	\$
Personal Investment:	\$
Cash	\$
Assets	\$
TOTAL SOURCE OF FUNDS	\$

K. SELF EMPLOYMENT BENEFITS (SEB): EQUITY REQUIRED

The Equity Statement is used only if you are applying for the Self-Employment Benefit Program (SEB). If you are not applying for this program, please skip this section.

The SEB Program requires that entrepreneurs have at least 25% of the value of the grant in equity to put into their business. Consider a case where the SEB grant is \$260 per week for the first year of operation. During the firm's first year, the program will be putting \$13,520 into the business (52 weeks x \$260/week). The program requires that the entrepreneur contribute at least \$3,380 in equity right at the start (\$3,380 is 25% of the \$13,520 grant).

You DO NOT have to put 25% of your monthly SEB grant into the business!

The 25% only applies to initial, up-front equity contribution.

Many things are considered equity. Any cash you put into the business is equity. So are any equipment or tools that you may need to provide your product or service. If you have a vehicle and your business requires that you use it, that is also an equity contribution. These various areas are listed on the next page. Real estate can apply, if the business requires it directly.

Self-Employment Benefits (SEB): Equity Required

Total SEB Contribution	\$
Personal Equity Required (25%)	\$

Cash Contributed	\$
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EQUIPMENT

Description	Year	Model #	Serial #	Value Now
				\$
				\$
				\$
				\$

VEHICLES

Make	Model	Year	Mileage	Value Now
				\$
				\$
				\$

REAL ESTATE

Description	Mortgage/Rental Payment	% used for Business	Amount of Equity
			\$
			\$

L. OWNERS DRAWINGS

In this section, you calculate the funds you need to meet your personal living expenses.

There are two types of expenses you must consider: monthly and annual. In the Owner's Drawings section on the next page, list both types on the sheet provided. Also list any other sources of income for you, such as spousal income.

The amount in this section is the **MINIMUM** you can take from the business. You can take more than this, but you cannot take less. For example, your minimum monthly living expenses may be \$1,900. You could not take less out of the business to live on, though you could choose to take more (e.g.: \$2,500 per month).

Owner's Drawings

MONTHLY EXPENSES

Car Expense	\$
Clothing	\$
Entertainment	\$
Food	\$
Heat	\$
Light	\$
Medical Expenses (including BC Medical)	\$
Rent or Mortgage Payment	\$
Telephone	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
Total Expenses	\$
Less: Other Sources of Household Income	(\$)
Minimum monthly Owner's Drawings required	\$

YEARLY EXPENSES

Item	Month Due	Amount
House Insurance		\$
Vehicle Insurance		\$
Life Insurance		\$
Property, Water/Sewer Taxes		\$
Personal Income Taxes		\$
Other		\$
Other		\$

M. SALES FORECASTS

The Market Research section asked you to explain how you arrived at your predicted sales amount. In this section you state what those expectations are. If your projections are based on your many years experience in the field, say so. However, the more information you can provide to show how you came up with your sales forecast, the more accurate (and meaningful) they will be.

The assumptions should consider any major areas that can affect your business. For example, a retail store should consider the effects of Christmas on their November and December sales.

Factors could include things like:

- Seasonal conditions - weather, Christmas, etc.
- Economic conditions - logging down-time, housing constructions etc.
- Customers - the number of customers you expect to be working with daily, weekly or monthly.
- Marketing - the type of marketing or promotion you will be doing during this time, and the number of hours you plan to devote to it.

**Sales Forecasts must be supported by
market research to be credible.**

Estimate sales for each general type of product that you plan to offer, by month. For example, a jewellery business may plan to offer products in four areas - gold jewellery; fashion jewellery; gifts (mens, ladies, children's); and china & silver. The entrepreneur would make sales forecasts for each of the four areas, **NOT** for every single item that the store carries.

Taking into account the factors listed above, you can then estimate your sales for the month. For each area of your business, estimate:

1. The average number of items that you will sell in the month, or the average number of hours that you will be able to charge for in the month.
2. The average price per item, or the average hourly rate you will charge.

Using the example of the jewelry store mentioned earlier, a sample sales forecast for a month might be:

SALES AREA	AVG # SALES	AVG \$ PER SALE	TOTAL SALES
Gold Jewelry	12	\$450	\$5 400
Fashion Jewelry	187	\$32	\$5 984
Giftware	83	\$40	\$3 320
China/Silver/Crystal	41	\$75	\$3 075
TOTAL SALES			\$17 779

Sales Forecast

		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	TOTAL
Product 1:														
# of Units/Hrs Billed														
Avg. Price/Hourly Rate														
Total														
Product 2:														
# of Units/Hrs Billed														
Avg. Price/Hourly Rate														
Total														
Product 3:														
# of Units/Hrs Billed														
Avg. Price/Hourly Rate														
Total														
Product 4:														
# of Units/Hrs Billed														
Avg. Price/Hourly Rate														
Total														
Total Sales														

N. CASH FLOW FORECAST

The key to remember in preparing a cash flow is that you are not trying to determine a profit or loss yet - you are trying to predict the timing of cash in or out of your bank account.

When preparing your cash flow, keep in mind the following points:

1. ***Don't spread costs evenly over the year.*** If insurance costs \$1,200 per year and is payable in May, put the whole \$1,200 in that month. Do not put in \$100 each month.
2. ***Remember the timing of collections on accounts receivable.*** If you offer 30-day terms, show the cash received in the month following the sale.
3. ***Take the time to do it right.*** The cash flow is an important first step in preparing your entire financial forecast. Most of the data collected here is used on balance sheet and income statement forecasts also.

Cash In

Use the sales forecasts you did in the last section to estimate cash into your business. Don't forget any credit terms you may provide — if you agree to payment in 30 days, a sale in January will show up as cash to you in February, under the line "Accounts Receivable".

Cash Out

Expenses are listed in detail in the cash flow form. However, they fall into several categories.

Cost of Goods — This relates directly to the forecasted cash sales. Cost of Goods is usually a percentage of sales. For example, the jewellery store mentioned above could find that for every \$1,000 they sell in gold jewellery, their costs run \$600. Their Cost of Goods would be 60% of sales.

Labour / Staff Costs — this should reflect the number of employees, including wage rates. Also include employee deductions that you are responsible for (EI, CPP, WCB, vacation pay, etc.). As a general rule of thumb, these items usually amount to at least 10% of the wage costs.

Marketing Expenses — These are your costs for advertising, promotion, and so on.

Facilities Expenses — This category includes the costs of your store/shop, and any equipment required to provide your product. This covers areas such as rent paid for a store/shop/warehouse; improvements/ upgrades to your store (called leasehold improvements); purchase or rental of equipment; and so on.

Borrowing Costs — The cost to repay any loans that your business may require. Include loan payments to financial institutions.

Cash Flow Forecast

Cash In	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	TOTAL
Total Sales													
Accounts Receivable													
Cost of Goods Sold													
Total Cash In													

Cash Out													
Advertisement/Marketing													
Accounting / Bookkeeping													
Auto Expense/Repairs													
Auto Maintenance													
Bank Charges and Fees													
Cell Phone													
Equipment Repairs													
Fax													
Freight and Postage													
Fuel Expense													
Insurance													
License and Fees													
Office Expenses/Supplies													
Depreciation													
Loan Interest													
Total Cash Out													

Net Cash													
Starting Cash Balance													
Cash in less cash out													
Add Loan Proceeds													
Add Depreciation													
Less Loan Principle Payment													
Less Owner's Drawings													
Less Capital Purchases													
Ending Balance													

O. Arranging Financing / Investment

By this point you will know whether your business will require financing or investment. If you need to borrow money, the information in the business plan will help you greatly in arranging financing.

For many small businesses, a proposal is short — often no more than 2-5 pages of description, plus financial information. Have the rest of your information handy though, just in case the investor or commercial lender asks to see it.

The summary must show the lender or investor that the business seems viable, that your customers want the product, and that you are the person/people to do the job. It should have the following sections:

The Business

- The products you will offer — the goods you will sell or the services you will provide.
- Your niche — where you fit in the market, what you offer your customers that's unique, why they will come to you instead of your competitors.
- Your plans to expand or change your existing business (if applicable).
- Your location (if important to the business) and the benefits it offers.
- The customers who will use your products, and how the products fill their needs.
- How you plan to promote the business to each kind of customer.
- Your competitors, their focus, your niche in the market, the advantages & disadvantages of your products, and your plans to deal with your weak areas.

Market Research

- The market research that supports your sales forecasts.
- Any other information that applies to your specific business that is important

Management / Staff

- Your skills and abilities to do the job. Cover each area:
 - Technical — making the goods or providing the service,
 - Marketing & promotion — telling the customer to buy from you, and
 - Financial / organisational.

A summary for each person setting the direction for the company should be provided to show their skills, abilities and work experience (2-3 paragraphs per person).

- Staff / skills needed — number of people and any special skills required

- Attach resumes of each person setting the direction for the company with your application.

In addition to the summary there is some important information that you need to present to potential lenders or investors.

1. Financial Information

Include financial projections that show the viability of the business and its ability to repay the loan or investment.

- Cash Flow projection
- Income Statement and Break-Even forecasts.
- Use & Source of Funds

2. Supporting Documents

All Businesses:

- Letters from prospective customers stating their willingness to use your products (best suited if your customers are other businesses, rather than the general public).
- List of all related companies.
- Copies of surveys, statistics or other market research you did.

Existing Businesses:

- Financial statements for at least the previous 3 years, and preferably 5 years.
- Current financial position (preferably within 3 months).

3. Loan Security

Lenders also want to know what assets are available to secure their investment, in case things don't go as expected. List these assets, along with serial numbers where appropriate and market value, on the sheet on the next page. "Market value" refers to the amount that the asset could be sold for, ***NOT the original price you paid for it!***

Only list the assets that could be sold should the business go under. Do not include renovations to buildings, advertising, or other "intangible" items.

Loan Security

[illegible]

NOTES