



NORTHERN SAVINGS
CREDIT UNION

BUILDING A BUSINESS PLAN



www.northsave.com

Northern Savings Commercial Services

Whether your business is just starting out or you're ready for a change, Northern Savings Commercial Services is an ideal partner and can provide you with the services you need.

Our Commercial Services team has a wide range of business experience. They will strive to help your company run smoothly by providing business accounts and services, cash management services, loans, and experienced friendly guidance.

Northern Savings Credit Union has designed this guide to help you understand and assemble your business plan, a crucial component of starting or growing any business.



WHAT MAKES A GOOD BUSINESS PLAN?

A business plan is a written document that outlines the following:

- The business concept
- The business owner's background
- The proposed resources to be used
- The proposed strategies to be used
- The results expected for the stated period

A business plan must be organized, complete, and factual.

The plan can be prepared for either a new business or an existing business; for the latter, a summary of past results must be included.

WHY PREPARE A BUSINESS PLAN?

External Reasons:

- To support loan applications
- To attract investors

Internal Reasons:

- To encourage realism
- To help identify markets, pricing, and competition
- To determine viability
- To identify the amount and type of financing needed
- To help keep the business on track

WHAT ARE LENDERS LOOKING FOR?

THE FIVE C'S OF CREDIT:

- **Character** - Commitment to honour obligations and provide accurate information
- **Conditions** - Economic climate, type of industry, and risk
- **Capital** - Resources for growth and protection for creditors
- **Capacity** - Management's ability to repay (business cash flow)
- **Collateral** - Secondary source of repayment to hedge against unforeseen circumstances

Clear communication between the business owner and the lender is also very important; this creates mutual understanding and co-operation.

THE BUSINESS PLAN

Cover Letter

- ❖ One page
- ❖ Should accompany your plan each time you send it out
- ❖ Address the letter to the person you are sending it to
- ❖ Explain why you are sending the plan
- ❖ Create interest in your plan without repeating your executive summary

Table of Contents

- ❖ An aid to readers
- ❖ Include page numbers for each major section of the plan
- ❖ Include list of appendices

Executive Summary

- ❖ Should be limited to one page in length
- ❖ Written after business plan is completed
- ❖ Should include any major conclusions drawn from your market analysis, operational plan, or financial forecasts and may include the following:
 - Financing and investment required
 - Mission statement
 - Company management and advisors
 - Business environment
 - Target market
 - Trends
 - Competition

Business Entity

- ❖ This section should include the following:
 - Business name
 - Business address
 - Business location
 - Business contact information (phone, fax, and email)
 - Legal structure (include names, addresses, percentage owned for all owners)
 - Nature of business (retail, manufacturing, trades, service, etc.)
 - Business status - new, existing, or expanding
 - History of business idea
 - List main products and/or services you will offer

- ❖ If purchasing or expanding an existing business be sure to include the following:
 - Estimated purchase price and any additional costs associated with the purchase (legal, buildings, improvements, equipment, inventory)
 - Reason for the sale and reasons for any possible unprofitability or decline in profit
 - What changes will you make, how will you make the business more profitable, or plans to turn around an unprofitable business

Products and Services

- ❖ Describe in depth your products and/or services
- ❖ Provide a list of features and benefits for your products and/or services
- ❖ Include the factors that will give you competitive advantages or disadvantages
- ❖ Include the pricing, fee, or leasing structures of your products and/or services

Marketing Plan

- ❖ Market Research
 - Primary research (questionnaires, interviews, focus groups that you have generated on your own)
 - Secondary research (data that has already been generated; e.g. publications, census, relevant studies, etc.)
- ❖ Brief description of the industry
 - What is the size of the market?

- What is your anticipated market share?
- Are there any changes taking place in the industry?
- What is the growth potential of the industry?

❖ Description of target customers

- Construct a demographic profile (this should include target customer's age, gender, income level, occupation, education, and lifestyle)
- What are your customer needs and buying habits?
- What are your customer expectations regarding price, quality, and service?
 1. If your products are more expensive than your competitors, why will your customers be willing to pay the extra price?
 2. If your products are cheaper than your competitors, can that effect the way customers perceive 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?

❖ Briefly cover the four P's of marketing

- Product - quality, selection, service, and guarantees
- Place - location, distribution, and appearance
- Price - high, low, and a comparative analysis
- Packaging - promotion and advertising

❖ Competition

- Who are your competitors and how many are there in your market area?
- What is your competitive advantage?
- What are the barriers you may face and what are your plans to deal with them?

- *List your competitors' strengths and weaknesses in the chart on pages 8 & 9*
- *List your business' strengths and weaknesses in the chart on pages 8 & 9*

Operational Plan

- ❖ Describe the daily operations of the business; its location, equipment, people, processes, and surrounding environment
- ❖ Production
 - Describe in detail all the products and/or services you will provide and what the production process is
 - Identify how many units you can produce, or customers you can supply or service in a period of time (See Sales Forecast chart in Financial section)
- ❖ Premises
 - Size and nature of premises
 - Inventory systems and requirements
 - Suitability of your site location and the proximity to materials, transportation, parking, and the labour force
 - Identify present and proposed facilities and equipment, as well as their value/cost
- ❖ Suppliers
 - What arrangements are in place to ensure good supply chain management?
 - Do you have any alternate sources of supplies?
- ❖ Personnel
 - Skill level of labour force
 - Availability of trained staff
 - Training plans
 - Union contracts
 - Labour costs

- List your competitors' strengths and weaknesses in the chart below:

Competitor Name/Location	Product/Service	Strengths	Weaknesses

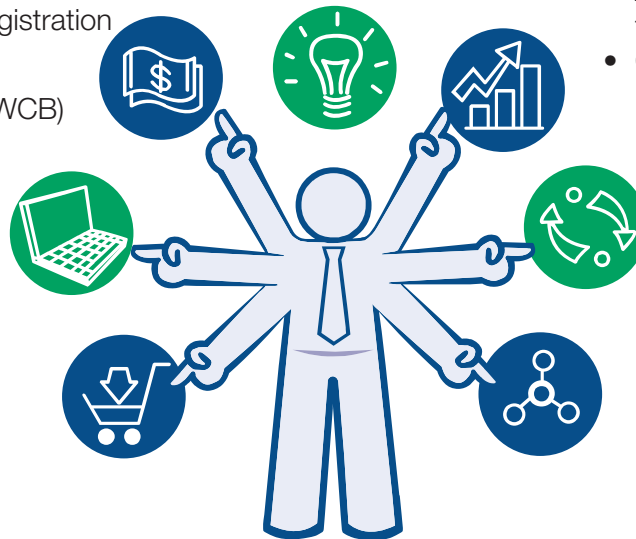
- List your business' strengths and weaknesses in the chart below:

Product/Service	Strengths	Weaknesses

Other details/regulations:

Businesses are affected by many regulations such as:

- ❖ A Business License
 - This can be obtained from the City/ Municipality where your business is located
 - Do you require one? If so, what is the cost?
- ❖ Name Registration
 - Have you registered your company's name with the Provincial Registrar of Companies? Visit this site for more information and to register your business name:
<https://www.bcregistrynames.gov.bc.ca/nro/>
- ❖ GST
 - Have you registered?
- ❖ Revenue Canada
 - Do you have an employer registration number?
- ❖ Workers Compensation Board (WCB)
 - Do you require a WCB Assessment Number?
- ❖ Zoning
 - Which zoning regulations apply to your business?
 - How will you be affected?



- ❖ Insurance
 - What types of insurance will you need (e.g. life, fire, vehicle, business liability, disability, partnership, etc.)
 - Northern Savings can provide assistance in these areas through our Financial Planning and Insurance subsidiaries
- ❖ Licenses/Permits/Bonding Required
- ❖ Administration
 - Who will handle your bookkeeping, year-end accounting, taxes and legal matters?

Management

- ❖ Key Personnel
 - Identify all key management positions and provide the following information:
 - Names
 - Education and experience
 - Duties and responsibilities
 - Areas of weakness and the steps taken to overcome them
 - Other businesses owned
- ❖ Shareholder(s)/Owner(s)
- ❖ Provide the following information for each:
 - Name of each owner and the percentage of ownership
 - Education and experience
 - Duties and responsibilities
 - Areas of weakness and the steps to be taken to overcome them
 - Other businesses owned
 - Personal Net Worth statement
 - Financial statements of any other businesses owned

Financial Summary:

- ❖ Financial Requirements/Proposed Financing
 - List start up or expansion costs
 - List sources of financing
- ❖ For Existing Businesses:
Summarize trends using historical financial statements for the following
 - Sales
 - Cost of goods sold
 - Gross profit
 - Total expenses
 - Net profit (or loss)

Refer to the last three years' financial statements and include in appendices

- Current financial position
- Current balance sheet
- Interim statement of income and expenses

Provide details of all existing debts and include:

- Name of lender
- Original loan amount
- Current loan balance
- Maturity date
- Interest rate
- Monthly payment amounts
- Security
- Arrears (if any)

- ❖ For New and Existing Businesses
 - Include a Sales/Operating Forecast
 - Estimated sales - month by month
 - Don't forget to account for seasonal and economic conditions (*see 12 month Sales/ Operating Forecast chart pages 14-15*)

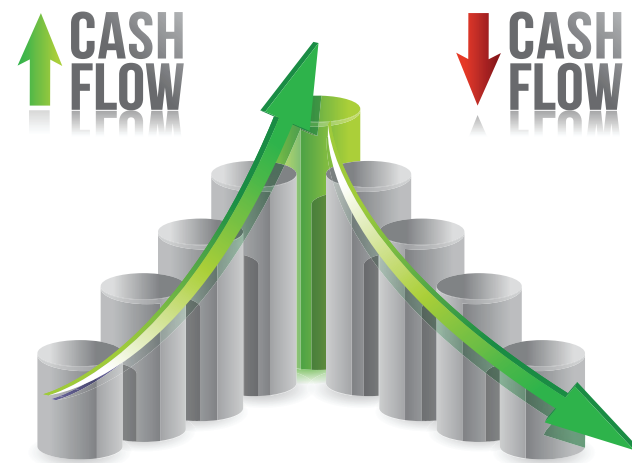
- Include a Cash Flow Forecast for the next year (*see 12 month Cash Flow Forecast chart pages 16-17*)
- A Cash Flow Forecast is a month by month projection of cash in and cash out of your bank account (not profit or loss) for the next twelve months

Cash In:

- Use the sales forecasts above 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 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.



Month	Estimated Sales Product/Service 1	Estimated Sales Product/Service 2	Estimated Sales Product/Service 3	Estimated Sales Product/Service 4
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

Break Even Calculation

- ❖ Break even calculation (in dollars and units) as follows:
 - TFC= Total fixed costs (rent, heat, light)
 - P= Unit sell price
 - V= Unit variable cost
 - Break even = $\frac{TFC}{P-V}$ (dollars)
- ❖ For example, if a bicycle business has \$10,000 in fixed costs and sells bikes at \$500/unit at a cost of \$200/unit. The business would need to sell:

$$\frac{\$10,000}{\$500-\$200} = 34 \text{ bikes to breakeven}$$
- ❖ Existing businesses should modify their existing balance sheet to reflect the requested financing or investment
- ❖ New businesses should prepare an opening balance sheet assuming the requested financing or investment has been granted

Appendices

Include all relevant supporting documents including:

- Company registration and licenses
- Certificate of incorporation
- Consumer surveys
- Pictures and drawings of products, services, plants, etc.
- Maps
- Plant layout plans
- Survey plans
- Appraisals of realty and equipment
- Purchase and sales agreements
- Patents
- Statement of personal net worth
- Organization chart
- Construction quotes
- Equipment listings
- Contracts
- Reference letters
- Financial statements

1. Name of month	Start Up Costs																	Total
Sales																		
Product / Service																		
Product / Service																		
Product / Service																		
Product / Service																		
Total Sales																		
Cash In																		
Cash Sales																		
Receivables Collected																		
Loan Proceeds																		
Personal Cash Invested																		
Other																		
Total Cash In																		
Cash Out/Expenses																		
Inventory																		
Advertising & Marketing																		
Office Supplies																		
Travel: Accommodation & Meals Only																		
Vehicle: Fuel																		
Vehicle: Repair & Maintenance																		
Vehicle: Insurance																		
Banking Charges																		
Insurance (Liability & Personal)																		
Legal Fees / Accountant																		
Rent / Lease (if not home based)																		
Licenses / Permits																		
Telephone, Fax, Internet																		
Utilities																		
Bookkeeper																		
Principle Drawings																		
Equipment & Tools																		
Capital Items																		
Other																		
Total Cash Out																		
Summary																		
Total Cash In																		
Plus: Operating Balance																		
Equals: Cash Available																		
Less: Total Cash Out																		
Equals: Closing Balance																		
Total Start Up Costs																		

PRESENTATION TIPS

- ❖ An easy to read and clear business plan will enhance your chances of obtaining financing
- ❖ Check for spelling, grammar, and mathematical errors
- ❖ Ask a trusted advisor to review and critique the plan
- ❖ Ensure the plan demonstrates the following:
 1. Realistic market share
 2. Reasonable marketing strategy
 3. Well planned operations
 4. Capable management
 5. Identification of all costs
 6. Demonstration of sufficient start up and operating funds
 7. Realistic forecasts
 8. Realistic break-even calculations
 9. Full financial commitment by owners
- ❖ Limit the distribution of your business plan as it contains confidential information
- ❖ Be prepared to answer all questions about your business plan
- ❖ Understand the contents of the plan, especially if someone else assisted in putting it together
- ❖ Focus on the positive aspects but include negative points and your ideas to overcome these obstacles

NOTES



NOTES

Masset

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Prince Rupert

138 3rd Avenue West
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Queen Charlotte

110 Causeway Street
250.559.4407

Terrace

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