'SKILLS ONTARIO'
TECHNOLOGICAL SKILLS ENTREPRENEURSHIP COMPETITION
Guide to Completing Your Business Plan

Congratulations on deciding to enter the "Technological Skills Entrepreneurship Competition". This provides an opportunity for you to develop a business plan centered on your 'dream' and then present it before judges experienced in building successful businesses. The feedback you receive will guide you in moving forward towards implementation.

We have included many examples and have attempted to give you *"Hints'* on how best to complete the various sections of the plan. If you take it one section at a time, you will experience how each part builds upon the previous one. It is suggested, that if necessary, you should enlist the help of your business teacher, and of course, we at Skills Ontario are here to help and provide explanations and guidance where required. We are happy to provide this support.

Almost all entrepreneurs going into a business do so to make money. The last thing you should want to do is go into a business without a well- developed written plan. [1]"Most new businesses are started without the owner ever writing a formal business plan. But then most new businesses fail within the first or second year."
A well-defined business plan paints a picture as to the structure of the proposed business, its' strengths and weaknesses, and the potential for success.
Therefore, if we have a business "dream" that we would like to fulfill and if we wish to avoid failure, we do the work to assure greater potential for success.

How to Proceed

- NOTE: The Summary Page should be done last!
- Begin with Section 1: "The Concept" and complete each item, in order, as detailed.
- Type the topic in **Bold** and then follow with your information
- 'Do Not' type the question you are answering.
- Generally a short paragraph should suffice for each topic but, make sure you have enough detail so the reader has full understanding of your position.
- Do Not guess at your answers. Your thoughts, ideas and concepts are great to put down, as is, but any statistics or facts that are shown should be researched and verified to the best of your ability.
- Where appropriate, use a chart to show comparisons or listings of items.
- When you have finished Section 1, go on to Section 2 and so on.
- The finalized document will be approximately15-18 pages
- Your plan should be typed using 12 font
- It should have a cover page and be put inside a report cover
- Your power point presentation, which you will deliver at the contest should be a summary of the plan but should definitely include the 2 financial statements and must be no more than 30 minutes long. (20 minutes minimum)

Good luck with your business plan!

[1] **Acknowledgement:** Although modified, the above statement and the outline for the attached business plan models that found in the text "Business Plan to Business Reality, Third Edition, James R. Skinner, published by Pearson Prentice Hall

Your Name
Selected Company Name
Address
Contact Information (email/phone)

Summary Page

Although this is the 1'st page that appears in your business plan, it should NOT be prepared until ALL the other portions of the plan have been completed.
The banker (judges) will look at this page first to see if your plan seems reasonable. If it does seem reasonable (in the real world) they would then continue reading the plan and looking at the details.
When you are ready to prepare the summary page, you will be using information from each of the 5 major parts of your plan. You should create five short paragraphs. This should all fit on one page.

- From Section 1 of the business plan briefly state what the business will be selling, the types of customers it will have (wholesale, retail, their demographics), why there is an opportunity to be successful now, and why you are the right person to run the business

- From Section 2 of the business plan, briefly identify the location and site for your business, your direct competition, and the expected revenue for the 1'st year you will be in business.

- From Section 3 of the business plan briefly explain the image the company will hold in the marketplace, especially related to its' product or service compared to others and explain where your pricing will fall (low-competitive-high) compared to the competition. You should justify your position. Also explain from this section where you fit in the distribution chain. Are you going direct to the customers, are you selling through distributors, etc. and justify your position.

-From Section 4 of the business plan, briefly outline the amount of capital investment required and why. Explain the role you as the owner will play in the business and the roles of any employees.

- From the 5'th section of the business plan briefly outline the amount and sources of financing, what collateral you will put up for the business loans, and when you expect the business will start to make a profit. Also how much profit (or loss) you expect in the first year of operations.

Section 1 : The Concept

a) Introduction

Describe the general nature of the business as well as where you will locate it, and identify any important or unique features of the business that differentiates it from other businesses.

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b) Products and Services

Explain how your business will be specialized in terms of the products and/or services you will offer

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_____
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c) The Customers

Explain how your business will be specialized in terms of the customer groups you will be targeting. (if you will be targeting the same customer groups as your competitors explain what advantages you will have to succeed) NOTE: generally your target market will not be everyone in your marketing area.

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d) The Opportunity

Identify the circumstances or events that provide an opportunity for your business to succeed. In other words, explain why now, is a good time, to start your business.

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e) The Owner(s)

1) Name and give a brief background of yourself and any partners you may have. Explain why each person's background is appropriate for running a business such as the one you are starting up.
   Attach a resume for each of the owners as an appendix to this business plan.

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   _____
   _____

2) Identify any entrepreneurial abilities of the owner(s) and if there is more than one owner, clarify the 'complimentary' nature of the relationship. Explain any personal motivation for going into business.

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3) Briefly estimate the minimum amount of money you (and any partners) will have to withdraw from the business each month in order to survive within the 1'st year of operations. State how long you could survive without relying on the business for an income

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f) **The Legal Organization**

1) Identify the legal form of the business (sole proprietorship, partnership corporation) Justify why you have chosen this legal form and explain who owns how much of the company. If unsure which to choose, discuss with your business mentor.

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2) If there is more than one owner, explain who will be actively participating in the business and how. If there is a partnership agreement, identify the major provisions of the agreement and attach a copy of the agreement as an appendix.

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Section 2: Feasibility

a) Location

1) Explain the general area where your business will be located, describing the surrounding population of potential customers (provide numbers)
E*xample; Toronto would be the general location of the business*

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2) Describe any other factors for your choice of location, such as proximity to customers, suppliers, transportation, etc.

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b) **Site**

1) Describe the site of your business, including any important details for selection such as parking, proximity to other businesses and/or competition, traffic volume, etc.
Example; 1224 Eglington Ave E. would be the site of your business
The site is a specific address or place where the business locates.

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2) Explain why the choice of this site is appropriate for what you are selling and why it is appropriate for the customer groups to whom you are selling.

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c) Site Expenses

If you are leasing your business space, outline the major provisions of your lease including costs for rental as well as costs for common fees, maintenance fees, and outline any renewal terms you have negotiated.

OR
If your business is home-based, calculate what percentage of the home (square footage) will be used exclusively for business purposes. Explain the ownership or leasing arrangements of the home.

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d) Market Potential

The market potential is the total quantity of an item purchased or of a service provided (shown in units and $'s) for a specific geographic area within a fixed timeframe. <u>Hypothetical Example:</u> for the year ending 2016 in the City of Timmins, Ontario, the residents purchased 3000 Laptops at an average of $500.00 each. These same residents spent $900,000.00 on computer repairs and software maintenance. **Therefore based on 2016 expenditures, the market potential for the sale of laptops in Timmins would be $ 1,500,000.00 and the total market potential for computer repairs and maintenance in this marketplace would be *$900,000.00*.**

Note: This is the total that all companies providing this product or services could collectively expect from this community. It is <u>not</u> what any one company or service provider could expect. The individual product or service provider would have a % share (i.e. their market share) of the market potential. The market potential indicates the breadth of the market and the market share number is what you might expect to sell. The market share number becomes the base number used to develop your pro forma financial statements. Therefore, the careful calculation of the market potential number which leads to the market share number is extremely critical in order for the business plan to have any credibility.

Note: Generally because of competitor reaction, start-ups would gain no more than 10% of total market as their market share within the 1'st 5 years of being in business.

- Clearly define the market potential that you will be estimating. That is, calculate the annual expenditures of your target market
(i.e. for all of the current or potential users of your product or service)
- List all the relevant information you have gathered and indicate the source(s) of this data.
- Fully explain your calculations and the logic you used in estimating the market potential for your product or service.
- Show the dollar value of your estimate.

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Competition

- Name and describe any direct competitors you will have to deal with. i.e. those companies or individuals providing the same product or service that you intend to offer in your market area.
- Provide an estimate of sales (volume) of each, explaining your source for this information
- Name and briefly describe any <u>indirect</u> competition you may have.
- Describe any advantages that you may have over your competition.
HINT: make up a table

_____

_____

e) Sales Forecast

From the market potential number that you calculated, estimate your market share, (i.e. the % of the market that you believe you can capture). This becomes your sales forecast (revenue projection). You potentially could have more than one estimate due to possible contingencies occurring.

Example: revenue projection for a lawn care business could be high or low depending on the weather and if we have an early or late spring.

Therefore, it is best to show all of your forecasts and then choose an average as your best guess. Here is a*nother consideration for calculating 'market share'. Assume you are opening a lawn care business and your competitors have 3 trucks each with separate crews on each truck. You will be starting by yourself with just one truck. Therefore, how many lawns could you take care of in one day, one week,* or *one month*. That might be your limiting factor to the amount of revenue you can produce. That is ok. You are developing this business plan to project what the results will be under specific circumstances. Should they not be acceptable, you can always revise the plan by changing the operational parameters.

- Now, calculate your market share and explain both how you arrived at this number and also why you believe it is realistic.

f) Protecting the Business

- Briefly describe any business insurance you will carry, explaining the type of coverage and the costs. What will the payment schedule be? Will you have to pay up front, pay quarterly, pay monthly? *Note: The payment schedule will have an impact on your cash flow statement.*
- What will you do to protect your business from theft or other dangers?
- If you will have any intellectual property, how do you propose this will be protected?

Note: *for this project, we will assume that <u>all</u> sales are cash, and no terms or credit will be given on anything purchased from you.*

Section 3: Marketing

a) Image

- Describe the image that your company will project and explain why this is appropriate for your services or products.
- Explain the expectations that your customer groups would expect
  Example: if you were selling diamond bracelets you probably wouldn't locate in the back of a quick lube shop, nor would you want your salespeople to wear greasy uniforms and have dirty hands.

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b) Business Name

- Give the name your company will be operating under and explain how this name projects the appropriate image for your product or service and customer groups.

S**ervice / Product Mix**

- Prepare a detailed explanation of the products or services you will offer
- Compare your range to that of your major competitors
  HINT – make up a table to show this information ***(see table below)***
- Explain why this strategy is appropriate for your type of business and what extras you are providing that separates you from your competition.

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c) Pricing

- Outline the pricing strategy you will use and explain why you have decided to price at that level. *i.e. higher or lower than your competitors or the same*
- Prepare a price list showing the specific products or services you will offer and the prices you will charge for each. Indicate any discounts you will offer to specific customer groups or any volume discounts you will give.
  HINT: put this in table form. (see below)

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Example: for 'c' and 'd'

Product or Service Provided	**You**	**Your Price**	**Competitors**	**Their Price**
Grass cutting	x		x	
Fertilizing	x		x	
Aerating	x		x	
Shrub trim	x			
Landscape design	x			
Tree planting	x			

d) Distribution

- Explain in detail how your service or product will physically get to your customers.
- If the customer is coming to you, what structure will you have in place to accommodate the pickup? If you are selling over the internet, how will you ship?

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e) **Promotion**

- Identify all (if any) advertising media (newspapers, TV, billboards, social media) that you will use
- Explain why you selected those media over others
- How frequently do you expect to advertise and what $ amount do you expect to spend. (*Be realistic- best not to guess at this)*
- Explain any publicity you believe you could get
- Explain how you will go about winning new customers
- Explain any sales promotion techniques you will use.
  (HINT: be careful in selecting and handing out promotional items that do not help to keep or bring in customers)
- How will you measure the effectiveness of your advertising and promotional efforts?

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Section 4: Operations

a) Space and Equipment

- Make a list showing all the furniture, equipment and vehicles you will need to run your business. Include the items you already own and those you will have to purchase. Include a $ value for each item.
  Hint: put this in table form with what you own in one column and new purchases in another column **EXAMPLE**

Equipment will need for start- up **$ Value of Each**

Equipment (Fixed Assets)	Already Have	Need
Truck	15000.	
Wheelbarrow		200.
Tools	2000	500.
Total	$17000.	$ 700.

- Make a sketch and layout of your store, warehouse, or manufacturing facility showing the major office, work sales, and / or storage areas.
  Include this as part of your business plan.

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b) Methods and Procedures

- Explain any methods or systems you will have for ensuring quality and handling customer' complaints.
- Explain the paperwork and / or software systems you will use to control your business in terms of scheduling, inventory, invoicing, work in progress, clients records and accounting.

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c) Organization

- If more than one person will be working in the business, explain who will do what, who has what authority, who is the boss.
- If you have one or more partners, refer to details in your partnership agreement and explain the above.

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- Explain how and when you, any partners and employees will be compensated.
  Example: after 1 month of business, every week,)

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- **If** you will have employees, attach an organization chart along with a short job description for each major job outlined. (*attach this as an appendix)*
  Hint: create a table

Position	**Short Job Description**	**Weekly Wage**	**Monthly Wage**
		Total $	Total $

- Identify any registrations, licenses, or permits that you will be required to have in order to operate your business. What will the cost be for each?
- Identify any professional groups or business associations that you will belong to and explain the reason for your memberships.

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Section 5: Finances

a) Start –up Requirements

- Make up a table as shown below indicating all of the current assets and cash you will need to come up with **before** your business can open. This will include things like office supplies, inventory, insurance premiums, licenses, and cash that you will need in your bank account on opening day in order to run the business.

Material and Operating Cash Needs – for start-up ***EXAMPLE ONLY***

Materials and Cash (Current Assets)	**Already Have $$**	**Need $$ Additional**
Office supplies	100.00	200.00
Lubricating oil		250.00
Advertising	500.00	
1'st and last months' rent	2000.00	
Inventory	5000.00	5000.00
Wages before opening	1000.00	
Leasehold improvements	500.00	
Totals	9100.00	5450.00

b) Owner(s) Investment

- Explain how much you or you partners, or any investors will be contributing in order to start the business.
  Note: Do not include any borrowed money
- Include the value of things you already own (cash, equipment, materials) that will be used exclusively for the business.
- Include any expenses (cash) you have already paid out that enables the business to get started.

c) Borrowed Money

- Indicate any money your business may have to borrow.
- Indicate who the lender(s) are, the interest rate, and the terms for repayment ($ per month)
- What collateral is required to secure the loan?

d) Costs and Expenses

- Complete a work sheet as shown below for your ongoing costs and expenses.
- Estimate how much you will need to pay monthly and annually for each expense item to operate the business.
- There may be items that you pay for once a year, quarterly or semi- annually. If so, indicate which month(s) the payment must be made.
  Examples: quarterly insurance premiums, annual license fees, inventory.

Ongoing Costs and Expense Worksheet

Cost or Expense	Annual $ Amount	Indicate Payable Monthly or Indicate other period payable	$ Amt Payable
Rent	12,000	Monthly	1000.
Utilities	6,000	Monthly	500
Product / materials	60,000	Monthly	5,000
Salaries	120,000	Monthly	10,000
Insurance	6,000	• Jan –April -Sept	2,000 *
Maintenance	3,600	Monthly	300
Professional fees	4,000	• April and November	2,000 *
Advertising	2,400	Monthly	200
Supplies			
Delivery			
Travel			
Telephone			
Auto / truck expense			

The above are just examples of on-going business expenses. Yours may be different.

e) Sales Income By Month

1) Go back to Section 2 Feasibility and take your sales forecast (projected revenue or market share amount) and break it down into monthly predictions. Show these monthly predictions in the chart below for your 1'st year in business..

Hint … the monthly breakdown is usually not even. Often, the first few months in a start- up business are much lower than subsequent months. Also, if your business is seasonal (grass cutting, lawn mower repair) you obviously will have higher sales 'in season' and lower or no sales 'out of season'. Be as realistic as possible.

Projected Sales Income per Month

Month	Income
Jan	$
Feb	
Mar	
Apr	
May	
June	
July	
Aug	
Sept	
Oct	
Nov	
Dec	
Total Sales	$

2) Give logical reasons for this monthly breakdown such as start –up growth, seasonality, etc.

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3) Specify any payment terms you will provide for your customers. Do you expect they will pay you cash or will you be extending credit? For how long?

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f) Income Statement

-Using information from your sales forecast and your ongoing costs and expense worksheet prepare a projected income statement for your first year in business.

INCOME STATEMENT 1'ST YEAR for period ending (date)_____

Sales		
Sales from source #1		
Sales from source #2 (if applicable)		
Total sales Income	----------	
Costs		
Costs of goods sold (if any)	----------	

Gross Profit	----------	
Expenses		
Rent		
Utilities		
Product or / materials purchases		
Salaries		
Insurance		
Maintenance		
Professional fees		
Advertising		
Supplies		
Delivery		
Travel		
Telephone		
Auto / truck expense		
Total operating expenses	----------	
Net Profit (before income tax and depreciation)	----------	

Remember .. your expenses may be different from the example shown above.

g) Cash Flow Statement –

-The Cash flow statement is the most important of all the financial statements you will prepare.

- Most start-ups will not be profitable in the 1'st few months of business. They normally start up with many fixed costs (rent, salaries, utilities, loan payments), and minimal sales revenue. Therefore, in those early months, they need more cash to sustain the business than they are generating. The cash flow statement shows the 'cash position' of the business within certain time frames (weekly, monthly, or quarterly). Many businesses will be profitable, but they fail, because they did not have enough cash (operating capital), at the right time, to keep them going.

The following is a condensed version of a cash flow statement provided as an example.

Month	Jan	Feb	Mar	Apr

Opening Cash + or – ***Item (a)***	$ 5000	($15500)	($30000)	($20500)
Sales (Revenue)	$ 10000	$15000	$40000	$60000
Total cash Inflow + or – ***Item (b)***	$15000	($ 500)	$10000	$39500
Cash outflow (Expenses)				
Rent	$ 3000	$ 3000	$ 3000	$ 3000
Salaries	$10000	$10000	$10000	$10000
Utilities	$ 1500	$ 1500	$ 1500	$ 1500
Insurance	$ 1000		$ 1000	
Other	$15000	$15000	$15000	$15000
Total Cash Outflow ***Item (c)***	$30500	$29500	$30500	$29500
Closing Cash Balance **a & b - c either + or (-)**	($15500) Note: ($15500) as a negative amount is now posted to opening cash for Feb	($30000) Note: ($30000) as a negative amount is now posted to opening cash for March	($20500) Note; ($20500) as a negative amount is now posted to opening cash for April	$10000 Note; $10000 as a positive amount would be posted to opening cash for May

- Prepare a cash flow statement using the template as shown below.

Projected Cash Flow – 1'st year of Operations Date:_____-

Month	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals
Opening Cash + or (-) ***Item (a)***													
Sales (revenue													
Total cash Inflow+ or (-) ***Item (b)***													
Cash outflow (expenses)													
rent													
utilities													
equipment lease													
salaries													
insurance													
maintenance													
professional fees													
advertising													
supplies													
delivery													
travel													
telephone													
Auto/truck													
Total cash outflow ***Item (c)***													
Closing Cash Balance a & b - c													