



# Business Planning for Small Business

PRESENTATION



# Agenda

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The Feasibility of Your Idea

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What is a Business Plan?

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Components of a Business Plan

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Reflecting on Your Financials

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Resources to Help With Business  
Planning

The background is a collage of various business-related items. It includes a world map, a bar chart, a line graph, a calendar with the date 17 circled, a pie chart, and several pages of text. A large, semi-transparent grey rectangle is centered over the collage, containing the word 'FEASIBILITY' in large, white, sans-serif capital letters.

# FEASIBILITY

## The Feasibility Of Your Idea

# Feasibility of Your Idea

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## ■ Questions that need to be asked to determine feasibility?

- Is there a **need** for the product / service?
- Are there other **competitors** out there and how competitive is it?
- How large is your **target market**?
- Do you have the **skills/experience** or skills/experience on your team to turn the idea into a business?
- What **resources** do you need to make money
  - ✓ Staffing
  - ✓ Assets
  - ✓ Additional Funding
- As the owner, what are you contributing to funding to show **skin in the game**?
- Can you make money with this idea?

# Market Research

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- Will help you determine the following
  - Is there a need for your product or service? **(Primary Research)**
  - Competitive analysis **(Primary & Secondary Research)**
  - Market Analysis **(Secondary Research)**



# Market Research

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## What is Primary Research?

Research where you gather data

- Interviews (**In-person or phone meetings to ask qualitative questions**)
- Surveys (**Open-ended and Closed-ended questions sent out**)
- Focus Groups (**In-person meetings with participants**)
- Observations (**Observing participants**)



## What is Secondary Research?

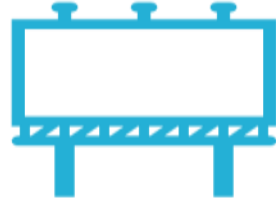
Research where you gather or pay for existing data that already exists.

- Market Research companies
- Internet Search
- Published material in periodicals (**Newspapers, Books, Magazines**)
- Research performed by Educational or Government Institutions



# Market Research

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## Market Analysis

How large is the market within the industry you are going after?

Determine addressable & target market size & demographics

Buying patterns of customers

Market trends (**what is going on in industry now?**)

SWOT Analysis (**how you fit in the market & determine potential success against competitors?**)



## Competitive Analysis

How many direct competitors exist and what is their size?

How does their product/service differ from yours?

How do they price their product/service?

How do they sell their product/service?

What are their strengths and weaknesses?

# The Market Size

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## Market Size

Helps you determine how much potential business is available

- This information is usually available through market research, but you want to narrow down to where you plan on selling.
- Includes total sales potential of you + competitors



## Addressable Market

Narrowing down your market size as you cannot sell to everyone. This will help you focus your marketing & sales efforts.

This is the opportunity that is available to you.



# Addressable Market Example

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## You Are a New Latin Restaurant in Toronto downtown?

✓ Instead of saying everyone is a potential customer

### ■ Questions to Ask

- How many people eat downtown that live outside Toronto in GTA ?
- How many people eat out in Toronto?
- How many people visiting Toronto will eat downtown?
- How many people working within 5KM of area will eat out for lunch or go after work?

Types of People	Numbers of People	% that Eat Out	Numbers
People in GTA (outside TO)	2.69 M	15%	403.5K
People in Toronto	2.81M	35%	983.5K
Visitors to GTA	14 M annually	75%	10.5M
People Working in Area (5Km)	40,000	45%	18K

# Addressable Market Example

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- You narrowed down the market, but what portion of the addressable market should you target, as not everyone is going to visit your business for various reasons such as:
  - Not everyone likes Latin Food
  - Your pricing may be too high for many and is not a family restaurant
  - How many other Latin restaurants or restaurants are in the vicinity to compete with?
- Make a determination based on all of the factors and focus on those with the highest potential.

# Target Market

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- **Target Market** is a group of potential customers with shared demographics who are the most likely candidates to purchase your products/services.
  - There is **no** product or service where **everyone is a target market**
  - You can have multiple target markets if you have multiple products/services or product/service utilized differently.
  - Target Market Types
    - ✓ Demographic
    - ✓ Geographic
    - ✓ Psychographic
    - ✓ Behavioral
    - ✓ Firmographics



# Target Market Types

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## ■ Geographic

- The location of where prospective clients operate

## ■ Demographic

- B2C
  - ✓ Age
  - ✓ Gender
  - ✓ Income
  - ✓ Education
  - ✓ Marital Status
  - ✓ Occupation
  - ✓ Home Owner/Renter
  - ✓ Socioeconomic
  - ✓ Ethnic/Culture/Religion

## ■ Firmographics

- B2B
  - Industry
  - Size of Business (Revenue)
  - # of Employees
  - Sales Cycle Stage
  - Structure of Business

## ■ Behavioral

- Targeting based on purchasing behaviors

# Target Market Types

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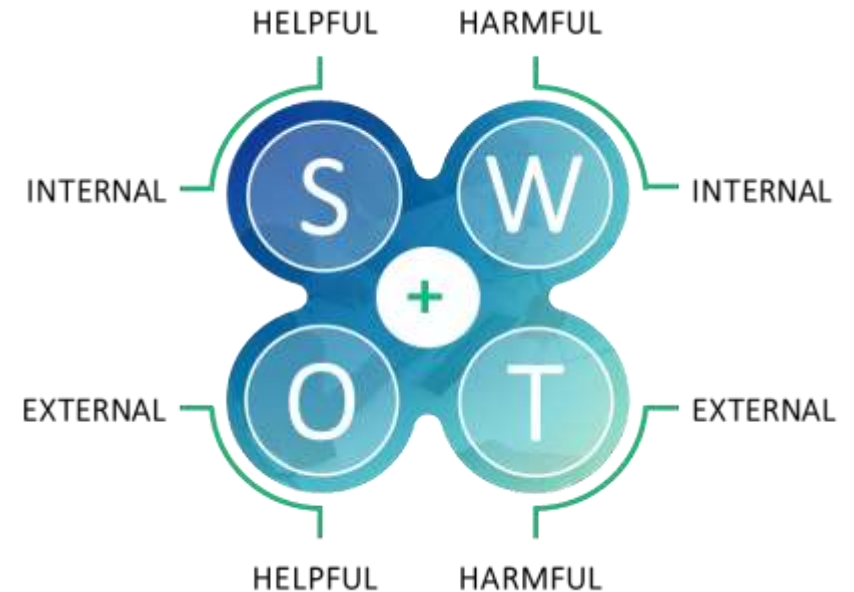
## ■ Psychographic

- The attitudes and values of businesses or consumers
  - ✓ Lifestyle
  - ✓ Values (Personal for B2C, Corporate for B2B)
  - ✓ Personality Traits (of one purchasing)
  - ✓ Opinions
  - ✓ Interests

# SWOT Analysis

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- **SWOT** is a tool for understanding your internal strengths and weaknesses and your external opportunities and threats.
  - It is important to know how to overcome weaknesses **(under your control)**
  - It is important to have a plan to deal with threats **(not under your control)**



# SWOT Strengths

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## ■ Internal Positive Factors

- What does your business do well?
- Positive attributes of your staff/management
- Reputation, competence, capabilities
- Geographical advantage, location
- Tangible assets
- How you obtain sales
- Your unique selling proposition
- The quality of your product or service
- The experience and knowledge of your industry



# SWOT Weaknesses

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## ■ Internal Negative Factors

- What could you improve upon within your business?
- Limited or loss of any resources
- Financial limitations
- Reliability and trust issues internally or with customers
- Poor location or geographical factors
- Lack of expertise, skills, or technology
- Why do you lose sales?
- What do potential customers see as a weakness in your business?

# SWOT Opportunities

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## ■ External Positive Factors

- What opportunities exist for your business in your market?
- Recent growth or positive changes in the market or competition
- Addition of new strategic alliances or partnerships
- Addition of importing / exporting
- New innovations in technology
- Press or media coverage of your business
- New need for your products/services

# SWOT Threats

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## ■ External Positive Factors

- What obstacles do you face that you have little control over?
- New competition
- New or changing technology
- Pricing changes from suppliers
- Inflation
- Availability of raw or finished goods you need
- New entrants
- Economy or government regulations

# SWOT Analysis Example



SWOT  
ANALYSIS.



## STRENGTHS

- Long-term employees who know the business
- All assets are paid for
- Our margins are over 60%.
- We are hiring a Controller



## WEAKNESSES

- Several employees are retiring in 2 years
- We have stagnated growth
- We have lost 1 customer that was 20% of our business
- We don't spend enough on marketing



## OPPORTUNITIES

- We are planning to hire sales agents to help us sell
- We are coming out with a new product in 6 months
- We are looking to expand to the U.S.



## THREATS

- Uncertainty over U.S. Trade Agreement
- We have a new competitor that already sells in the U.S.
- A recession is coming in the next 6 months.



# Understanding of the Market

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- **What Needs to Come Out of Your Market Research**
  - Will anyone buy your product/service?
  - What are they willing to pay for it?
  - With the competition (if any), is there enough room in the market for you to exist and make money?
  - How will you sell your product?
    - ✓ Online, Direct, Retail, Through Channels ...etc.
  - An understanding of your target market & demographics and how you will reach them **(marketing)**
  - An understanding of all of your costs
    - ✓ Expenses, Assets, Resources
  - An understanding of what funding you need

# Skills & Experience

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- **How to Acquire Skills & Experience you do not have**
  - Organizations that offer services for start-ups
    - ✓ Examples: SBEC's, Futurpreneur, Startup Canada,
  - Advisory Board
    - ✓ An information **group of experts** that can be used to fill gaps in expertise. (No legal responsibility)
  - Mentor
    - ✓ A **trusted guide** who may be from your industry or have business experience you need and can provide you guidance.
  - Business Coach
    - ✓ Helps you obtain the skills you need through one-one sessions



# Resources

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## ■ Financial Resources

- You need to understand how much money you need to get started
  - ✓ As the owner – you have to show skin in the game before asking for grants, loans and investment.
  - ✓ You will need to justify the number you are asking for from others.

## ■ Staffing Resources

- What skills do you require for your business?
- How will everything get done in order to generate revenue?

## ■ Asset Resources

- Will you need land or a building?
- Will you need inventory?
- Will you need furniture or fixtures?
- What equipment will you need?





# Can You Make Money?

- **What do you need to determine if you can make money?**
  - 3 to 5-year realistic forecast/projections of revenue
  - Understanding of your cost of goods sold for your business to determine margin
  - What are all of your monthly and annual expenses over that same period
  - What assets will you need to operate the business?
  - What liabilities (loans, investment...) will you need during that time?
  - Determine when you will breakeven understanding; it may be 2-3 years before you see a profit, but you need to hit your projections
  - Understand all of your business assumptions
    - ✓ Examples: Seasonality, Length of Sales Cycle, Number of Working Hours

# Stages of a Business Life Cycle

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## ■ Stage 1 – Startup

- Once you determine the feasibility/viability of the market
- The owner is the business at this phase, and if there are employees, they are wearing many hats
- Need to determine funding requirements and resources needed
- Need to gain awareness & customer acceptance
- Do not have many processes
- 9 out of 10 businesses fail at this point

# Stages of a Business Life Cycle

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## ■ Stage 2 – Growth Phase

- Customers understand business model and can articulate it
- Employee turnover decreases and investment in employees increases
- Business solidifies itself in the market
- Strengthen relationships with customers, partners, and suppliers
- Owner is working ON the business to help with growth
- Will need working capital for growth

# Stages of a Business Life Cycle

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## ■ Stage 3 – Maturity

- Business is growing at the same rate year over year (large growth spurts ended)
- First employees are now reaching tenure
- Can take out dividends regularly
- Have senior management in place running the day-to-day
- Strong cash position and revenue is steady & predictable
- Owner decides to reinvest or may decide to cash out

# Stages of a Business Life Cycle

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## ■ Stage 4 – Renewal / Decline

- Revenue declining for 3 consecutive quarters – declining
- Owners may be focused on what they can take out of the business instead on investing
- Most do not invest in renewal phase until they are in decline
- Strong owners start renewal efforts early
- When a lot of businesses exit but to make money on exit, business has to be worth something
- 80% of businesses less than \$50M fail to sell



What is a Business Plan?





# What Is a Business Plan?

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- A document that outlines the implementation of your business strategy and how you plan to grow your business.
  - **3-5 Year Business Strategy**
    - ✓ The vision of the business going forward and what needs to take place to meet the business and financial goals of the business over the next 3 to 5 years
  - You cannot develop a business plan before you have an understanding of what needs to be done to reach your business and financial goals
    - ✓ This includes every area of your business
    - ✓ This differentiates from a feasibility study, which is a subset



# Why Do I Need a Business Plan?

## Steer Your Business

- A will help you steer and manage your business as it projects 3 to 5 years out and outlines the path you need to take to build and grow your business.

## Reduces Risk

- Creating a complete plan shows you have thought through every area and facet of your business.

## Funding

- A plan will be needed if you plan to apply for any financing, including grants, loans, or investments.

## Team On Same Page

- You and your employees are working off a plan that keeps everyone on the same page

# Key to a Good Business Plan

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**Determine the feasibility of your idea first**



**Build a 3-5 Year go-forward business strategy**

Understand how it impacts each area of your business



**Have an understanding of all aspects of your business**

If you do not, this is where you will need help from others with the skills and experience to help you.

If you are not able to articulate in a business plan your business and how you plan to become profitable – you can expect lenders or investors to take you seriously

# What Lenders & Investors Expect?

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- Thorough and articulate plan that shows you have thought through all aspects of your business.
- Experience and understanding of the market and industry
- If more than a sole proprietorship, a team of people with skills and experience
- Financials need to make sense and match your plan.
- Need to be clear about the amount you need and show for what and why it is needed.
- Need to show your investment in the business
- Need to have physical collateral to support
- Show that you are a good credit risk
  - Assets & Good Credit Rating

# Financials Not Making Sense Example

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## **SCENARIO**

- You sell equipment that is priced at \$30,000.00
- Your sales cycle is 3-4 months on average for the product
- You start with 2 sales reps that are new to your business
- You show sales in Q1 of \$200,000.00

## **WHY THIS DOES NOT LOOK FEASIBLE**

- Your sales reps will have a learning curve
- The chances of 2 new sales reps with a sales cycle of 3 months and 5 sales is very unlikely when the average is a total of 3-4 months.



## Components of a Business Plan

# Executive Summary

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- This is the first section but should be written last as it is a summary of your business plan and should not exceed 4 pages.
  - **Introduction**
    - ✓ A paragraph that is an overview of your Business – summary of Company Section
  - **Market Summary**
    - ✓ A high level summary of your Market Analysis Section
  - **Products & Services Summary**
    - ✓ A high level summary of your Products & Services Section
  - **Financial Summary**
    - ✓ A high level summary of your Financials Section including summary financial charts for the 5 years showing Sales, Margin, and Profit

# Executive Summary

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- **Goals of the Business**

- ✓ List the 3 to 4 Goals you are looking to achieve in next 5 years which is taken from the Company Section.

- **Mission Statement**

- ✓ Outline the Mission Statement for Your Business which is the purpose of your business. (Taken from Marketing & Sales Strategy Section)

- **Business Plan Objectives**

- ✓ List the Objectives for developing your business plan. One of them might be to Obtain Financing. It is recommended you list 2

- **Key Business Success Factors**

- ✓ Items you need to accomplish for your business to succeed and the plan to be implemented.
  - ♦ **Example – Build Awareness, Improve Customer Service**

# Company Summary

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- This section provides a detailed overview of your business
  - **Company Ownership**
    - ✓ This outlines who is involved in your business from an ownership perspective and how business is structured.
  - **Company History**
    - ✓ If not a start-up you need to provide an overview history of the business.
  - **Goals and Objectives**
    - ✓ What the business hopes to achieve over next 3-5 years (goals) and actions of resources to achieve them (objectives)
  - **Business Success Factors**
    - ✓ What you need to achieve to be successful. Start-ups might have 2 phases
      - ♦ What is required to get up and running
      - ♦ What is required to be successful



# Company Summary

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- **Startup/Expansion Funding**
  - ✓ Outline all of the expenses and assets that are required for start-up or expansion. Should be described as well as showing charts.
- **Company Past Performance**
  - ✓ If you are an existing business with past financials, you should show a summary of your income statement/balance sheet and ratios for the past 3 years..

# Products & Services Summary

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- This section provides a detailed overview of all of the products and services you offer
  - **Problems Solved**
    - ✓ Problem solved by use of your products & services
  - **Product/Service Stage and Product Introduction Date**
  - **Key Features & Benefits**
  - **Unique Value Proposition**
    - ✓ What value they provide over your competition
  - **Pricing Model & Margin & Average Price**
    - ✓ What pricing model you used and how you priced your products along with what margin you will make
  - **How Products are Purchased**
  - **How Are Products Supported After Sale**
  - **Customer Target Markets**

# Market Analysis

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- This section provides a detailed overview of the market for your products & services and the industry for your business
  - **Market Selection and Reasoning**
    - ✓ An overview of the market and why you selected it
  - **Industry Market Size**
    - ✓ Understanding the overall market size for the industry as well as the market size for the geographic regions you are serving
  - **Addressable Market Size**
    - Narrowing your market to exclude those that are not really relevant prospects
  - **Target Market Segmentation**
    - ✓ Segmenting your market into your desired target markets

# Market Analysis

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- **Target Market Strategy**
  - ✓ Persona Development and Overview
- **Industry Analysis**
  - ✓ Understanding of the Industry and Key Drivers Going On in Industry
- **Competition**
  - ✓ An in-depth understanding of your top competitors (Suggest 3)
- **Customer Buying Patterns**
  - ✓ An understanding of what buying decisions a customer makes and patterns
    - ♦ **Examples**
      - › Do they buy directly or indirectly?
      - › Buy on price?
      - › Certain feature requirements

# Marketing & Sales Strategy

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- This section provides a detailed overview of how you plan you implement your product strategy by generating leads and creating prospects and turning them into closed sales.
  - **SWOT Analysis**
  - **Competitive Edge**
    - ✓ The advantages that you possess over your competition
  - **Marketing Strategy**
    - Branding / Branding Statements
    - Product Strategy (focus on overall not individual products)
    - Pricing Strategy
    - Promotional Strategy
    - Placement Strategy

# Marketing & Sales Strategy

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- **Sales Strategy**
  - Go To Market Strategy
  - Sales Forecast (5 Years) (Year 1 by months)
  - Milestones

# Operational Strategy

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- This section provides on the capability of the business to deliver on its promises to its customers. This section will differ by business as not all components exist for every business.
  - **Order Management**
    - ✓ Sale to Delivery
  - **Purchasing & Suppliers**
  - **Inventory Management**
  - **Quality Assurance**
  - **Productivity**
  - **Customer Care**
  - **Technology**
  - **Professionals**
    - ✓ Accountant, Lawyer....etc

# Management & Personnel Strategy

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- This section focuses on the management team and personnel that exist today and are planned over the next 5 years.
  - **Management Team**
    - ✓ Detailed background and experience of each person in management team
  - **Organizational Chart / Report Structures**
  - **Hiring Strategy & Personal Staffing Charts**
    - ✓ Understanding of skills needed
    - ✓ How you are going about hiring
    - ✓ When hired / budget/salary



# Financial Strategy

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- This section focuses on the overall financials for the company based on the rest of the plan. This section will differ if you are a start-up or existing business.
  - **General Assumptions**
    - ✓ An overview of the key analysis of your financial information below. Outline the positive areas.
  - **Break-Even Analysis**
    - ✓ Provides an overview of the risk involved in your business and how long it will take for you to break even
  - **Projected Income Statement**
    - ✓ Measures performance over time

# Financial Strategy

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- **Balance Sheet**
  - ✓ Financial Statements of assets, liability & shareholder's equity
- **Cash Flow Statement**
  - ✓ Statement showing cash going in/out of your business
- **Business Ratios**
  - ✓ Shows how your business is performing



Reflecting OnYour Financials

# Understanding Your Financials

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## ■ Existing Business

- If you are an existing business you should have financial statements that were compiled by an accountant.
  - ✓ It is highly suggested that you utilize a CPA firm as financial institutions trust them as they are governed by a professional organization.
- You should have an accounting system that is up to date.
  - ✓ If you do not understand proper bookkeeping, then you need to employ a professional bookkeeper.
- You should be able to forecast your business forward based on the past and what your expectations of growth are.
  - ✓ Utilizing a CRM to track prospects/leads should help you
- As a business owner, you need to understand your numbers
  - ✓ Revenue and Expenses including Cost of Goods
  - ✓ Assets and Your Liabilities
  - ✓ Know your Sales Cycle and Average Sale Price

# Understanding Your Financials

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## ■ Start-up

- It is more difficult when you are starting from scratch, but as the owner, you need to understand your business.
- You should be able to forecast your business for the first year and based on your plan understand your numbers
  - ✓ Revenue and Expenses including Cost of Goods
  - ✓ Assets and Your Liabilities
  - ✓ Know your Sales Cycle and Average Sale Price
- You need to be able to project future financials based on assumptions for your business. Your numbers need to make sense.
- If you are not a numbers person, employ the help of an accountant to help you



Resources to Help With Business Planning

# Small Business Enterprise Centres

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- **SBECs exist across Ontario and offer the following:**
  - Training (delivery differs by centre)
  - Have consultants to help review your business plan
  - Programs that offer training/mentors to help you with understanding how to acquire the information you need to write a business plan
  - Many have templates available for a business plan

# Government of Canada Resources

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- **Government of Canada Website (Planning a Business)**

- <https://www.canada.ca/en/services/business/start/planning.html>
- <https://sbs-spe.feddevontario.canada.ca/en/sample-business-plans-and-templates>

- **BDC (Business Development Bank of Canada)**

- <https://www.bdc.ca/en/articles-tools/start-buy-business/start-business/create-effective-business-plan>



# Business Plan Tools & Software

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## ■ **Bplans / Live Plan**

- <https://www.bplans.com/guides/writing-a-business-plan/>
- <https://www.liveplan.com/>

## ■ **enloop**

- <https://enloop.com/>

# Hire a Professional

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## ■ **Business Plan Writer / Developer**

- Do not just hire someone that can write well, they need to understand business and how to develop financials.
- Do not scrimp if you are using the plan to obtain financing
  - ✓ We have clients that were sent to us by the bank because they were not able to obtain financing because they hired someone that developed more of a marketing document.
  - ✓ Being turned down for a loan will negatively affect your credit rating.

# How To Develop a Business Plan for Financing

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- **RK Fischer & Associates offers an e-book which includes the following:**

- An upfront summary of what a business plan for financing requires
- The expectations of Lenders, Investors, and Grant Providers for a business plan
- Step-by-step instructions for each plan section with questions that must be answered within each section.
- A sample company with examples and actual templates for you to use in your plan
- A detailed glossary of terms is used throughout the document, including metrics and ratios with calculations and examples.
- Requirement differences for start-ups versus existing businesses with historical data
- <https://www.rkfischer.com/business-plan-ebook>
- **20% OFF DISCOUNT CODE – Good till February 1 2025 - NEWDOWNLOAD**

# SUMMARY



Summary

# Summary Points

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- Determine the Feasibility of your idea before starting a Business Plan
- Must have a Business Strategy before you have a Business Plan
- Your Financials must be supported by your business plan
- If you are developing a plan for financing, it is suggested you have a CPA help you develop or check your financials.
- There are resources out there to help you, so be sure to use them.
- We offer a free 30 minute consult to any Canadian business about any topic about their business
  - RK Fischer & Associates
  - <https://www.rkfischer.com>

# Contact Us

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