



# BUSINESS PLAN

[Business Name]

[Contact Name]  
[Mailing Address]  
[Website]  
[Phone]  
[Email]

## 1.0 EXECUTIVE SUMMARY

The executive summary should be written after the business plan is complete. It is a brief (one to two pages) summary of the main topics covered within the business plan.

This section may be the most important part of your plan. Investors will read the summary to decide whether to read the entire plan. For this reason, your summary should be convincing, attract the reader's interest and at the same time, be brief.

Your executive summary should cover the following items:

- Type of business
- Type of business structure (sole proprietorship, partnership, or corporation)
- Management/key employee background
- Products or service offering and how they are unique
- Target market and its size
- Marketing strategy – how does it differ from the competition
- Financing required and how it will be used

## COMPANY PROFILE SUMMARY

This section needs to highlight to a potential investor, or banking institution why they should support your business. It should highlight who the owners are and what makes your business viable.

What is the key offering and who is the person(s) behind the business?

## MARKET RESEARCH SUMMARY

What is a brief overview of the market? Who are the key competitors? Who is the target market?

### EXAMPLE:

Following a period of decline that continued until 1998, the construction industry has enjoyed a vigorous recovery, leading to the highest ever number of construction-related jobs in 2012. Many factors combined to account for the recovery, including low interest rates, a substantial increase in public and private investment, steady job creation and lower taxes. Over the next few years, the economic recovery is predicted to boost employment in most construction sectors during the forecast period of 2014-2018.

According to the 2013 Human Resources and Social Development Canada report on Labour Markets, carpentry is and will continue to be a high demand occupation in Manitoba. In the first seven months of 2013, Manitoba urban and rural area housing starts increased 27.4%, the highest among provinces and above the 15.8% national

decline. As baby boomers age and young families flock to more rural areas, local communities are trying to keep up with demand. The rural areas around Brandon, in particular Cypress River, Glenboro, Baldur and Deloraine, are experiencing boosts in their populations and housing development industries. These economic and industry shifts are compounding the need for certified journeyman carpenters in Manitoba and particularly the rural areas on the fringes of major urban centres.

## MARKETING SUMMARY

How will you gain clients? What specific strategies make sense?

### EXAMPLE:

Wiigwaas Carpentry Ltd.'s key strategy is to reach out to local general contractors via phone, email and mail to inform them about its business services in the hopes of being added to their preferred subcontractors list. A profile for Wiigwaas Carpentry Ltd. has been developed which outlines licenses, services and skills, relevant job history and a list of references. This profile has also been posted with various trade associations online.

Over the course of his four-year apprenticeship and the few years to follow, Keith has acquired the tools and equipment necessary to complete 70% of residential carpentry work. Some additional key tools of the trade, such as a high-quality table saw, need to be purchased in order to secure subcontracts. Keith already owns his own van for travelling between jobs, but wants to invest in the development of a website to further expand the promotion of his services. Keith will also need funds to hire an estimated two general labourers for each subcontract acquired and a receptionist, as well as a deposit for a new office space.

## FINANCE SUMMARY

How much money do you need to start? Where will you get the money? How much sales do you plan on generating in the first year and second year? What will the expenses be?

### EXAMPLE:

\$9,500 will be needed to start the business with funds coming from the CYBF Start-up Program, with Keith contributing the difference. In the first year of business Wiigwaas Carpentry Ltd. plans on generating approximately \$150,000 in sales (12 subcontracts) with expenses of \$80,000 inclusive of office rent and utilities, insurance, gas, labourer wages and receptionist salary. By the end of the second year, the plan is to increase sales by 15% to \$172,500.



## 2.0 COMPANY PROFILE

The Company Profile section allows you to lay the groundwork of your business out for readers. This business plan template will walk you through the basics including who you are and your company's history and what's unique about your business. Think of the Company Profile as painting a picture of your business

### BUSINESS OVERVIEW

In this section you describe your offering - the strengths of your product or service and how your company is set up to succeed and grow.

#### EXAMPLE:

Wiigwaas Carpentry Ltd. is owned and operated by Keith Nolan, a certified and licensed journeyman carpenter focusing on providing services and support for new residential development in the Brandon, Manitoba area.

Wiigwaas Carpentry Ltd. was established on January 4, 2013.

Wiigwaas Carpentry Ltd. is a professional and reliable subcontracting company that provides high-quality carpentry services for new large-scale residential builds. Experienced, qualified, highly skilled and fully insured, Wiigwaas Carpentry Ltd. undertakes all aspects of carpentry work for large-scale residential development, with the advantage of local community respect and knowledge.

Wiigwaas Carpentry Ltd. is a service business. Wiigwaas Carpentry Ltd. offers services in the following areas with a focus on rough carpentry:

- New Builds
- Foundation preparation
- Kitchen supply and installation
- Hardwood flooring supply and fit
- Cut and truss roofing installation
- Build and insulation of ceilings, walls and floors, installation of beams, girders and footing forms
- Manufacture and installation of hardwood staircases and handrails
- Framing, joisting and joining
- Upgrades & Improvements:
- Bathroom and kitchen renovations
- Alterations and extensions
- Porches, decking and fencing
- Doors and windows
- Fascia and gutter installation and repair
- Staircase repair and refitting

## COMPANY HISTORY

What have you done up until now on your business (idea)?

### EXAMPLE:

After successfully completing the four-year apprenticeship program (over 1,800 hours annually), Keith passed the interprovincial (IP) journeyperson examination to become a certified carpenter.

During his apprenticeship and in his few years of employment afterwards, Keith worked hard to develop a network of trade contacts. He has taken advantage of his memberships in the Manitoba Home Builders' Association to start building strategic alliances with general contractors and carpenters in the residential home construction industry within Brandon and its outlying areas.

He has registered and now has a searchable online profile with the Construction Association of Rural Manitoba (CARM).

Wiigwaas Carpentry Ltd. has also completed a NUANS Corporate Name Search and has submitted a NUANS report along with its federal and provincial incorporation registration.

## MANAGEMENT

Who are the owners in the business and the people who will run the business day-to-day?

### EXAMPLE:

Wiigwaas Carpentry Ltd. is fully owned by Keith Nolan. Keith comes from a long line of carpenters, and is well known and respected in his community as both his father and grandfather were Chiefs on the Canupawakpa Dakota First Nations Tribal Council. After Keith graduated from high school, he took up an apprenticeship for Years 1 and 2 with Barrett Homes Ltd. while completing the Carpenter Apprenticeship program at Assiniboine Community College, in Brandon.

For Years 3 and 4 Keith moved to the more rural community of Glenboro with his wife Carole and their son and became an apprentice at Regal Woodworks Ltd., which focuses on local home renovations and refurbishments. During that time, Keith was witness to the incredible housing growth in Glenboro and other rural areas, and discovered his opportunity to subcontract his carpentry services to general contractors involved in large-scale residential development.



## LOCATION

What location will you run your business from?

Home based business, store front, manufacturing, office building

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### EXAMPLE:

Wiigwaas Carpentry Ltd. will be store front. Wiigwaas Carpentry Ltd. will be located at 1523 26th Street, Brandon, Manitoba, Canada.

Wiigwaas Carpentry Ltd. will have a small office space to centralize administration and management, as well as to provide a space for storage of tools, supplies and equipment and parking. Property and commercial liability insurance will be required for the office, as well as commercial automobile insurance.

The nature of the Wiigwaas Carpentry Ltd. business is to travel to the building site to undertake and complete agreed upon contracted services.

## LEGAL STRUCTURE

What is your company structure?

If in doubt, start with a sole proprietorship – you can always upgrade and incorporate later. Many entrepreneurs rush to incorporate and believe they're protected because they have a great name or a great idea. You can't protect an idea!

There are instances where incorporating makes sense like running a food business or a film company.

If you are in a partnership or have more than one owner make sure you have a written agreement outlining the owners' share, roles and responsibilities, dealing with disagreements and when someone chooses to leave the business (an exit clause).

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### EXAMPLE:

Wiigwaas Carpentry Ltd. is a corporation.

Wiigwaas Carpentry Ltd. will operate as a corporation to start. This is to reduce the personal liability of Keith, and is the common practice for the industry.

Wiigwaas Carpentry Ltd. is not interested in securing intellectual property at this time.

## PROFESSIONAL ADVISORS

These are the professional people you may be working with.

### EXAMPLE:

Wiigwaas Carpentry Ltd. is using the lawyer and accountant recommended by his former employer, Regal Woodworks Ltd. It has full insurance coverage – including owner’s business insurance, commercial liability insurance and commercial auto insurance – through SGI Canada.

## VISION & MISSION

State your vision of the business and what you see for the business as a whole.

### EXAMPLE:

To sustain growth in order to hire additional licensed journeyman carpenters, Wiigwaas Carpentry Ltd. aims to acquire a greater number of subcontracts and, as more staff are hired, to take on several subcontracts concurrently.

Wiigwaas Carpentry Ltd. provides professional and reliable carpentry work to general contractors with the added advantage of having local knowledge and respect.

## GOALS & OBJECTIVES

List the objectives and goals of the business.

### EXAMPLE:

- To introduce and provide the company profile to 10 general contractors in the area every month, starting in Brandon, Manitoba.
- To be on the preferred subcontractors lists of five general contractors within one year.
- To launch a website featuring the company’s services, qualifications and portfolio within eight months.
- To find office space and hire a receptionist within three months.

## 3.0 MARKET RESEARCH

A common pitfall of many entrepreneurs is not doing enough research into their chosen industry before delving into a business. What’s going on in your industry? Who are the key players? It’s time to dig a little deeper and uncover the facts.

## INDUSTRY PROFILE & OUTLOOK

Your business may bridge a number of different industries. Try to narrow your focus to one to help you identify customers, competitors, etc.

This is your opportunity to give a general overview on how the industry works.

Try to be as clear and concise as possible. There is no need to write a long essay. Avoid jargon that only people in your industry would understand.

Discuss the research implications for your business. Don't be afraid to discuss your initial perceptions and how new discoveries you made have changed your perception.

Ask yourself the "so what?" question. Many business plans list a plethora of statistics but don't mention what this means for their business.

This sections talks about the future. No one knows for certain what that will be. However, if you have done your research effectively you will notice trends and patterns that you can deduce from. In many ways you play the role of the "detective" – digging for information that will provide you with insight into the future.

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### EXAMPLE:

*(This example may seem lengthy. Depending on your particular industry, it may not be as in-depth as this example).*

Wiigwaas Carpentry Ltd. operates primarily in the Construction/Skilled Trades industry.

The carpentry industry is closely linked to the housing construction industry in Canada, making it seasonal with the majority of employment opportunities running between May and December.

The August 2013 Labour Market Bulletin by Employment and Social Development Canada for Manitoba Regional reported that construction continued on an upward trend in 2012, following several years of impressive growth. Indeed, the industry has experienced average annual gains of 5% since 2007. Growth was largely the result of strong home markets which drove up the number of housing starts in the province. Statistics Canada predicts that Manitoba will lead the country in capital spending on infrastructure and construction projects this year.

Once certified and licensed as a journeyperson carpenter, the majority choose self-employment with only 19% taking on salaried positions within the construction industry, according to Service Canada.



The challenge for self-employed carpenters is gaining credibility among general contractors. To address this concern as much as possible, Wiigwaas Carpentry Ltd. is a member in good standing of the Manitoba Home Builders' Association, and has registered with the Construction Association of Rural Manitoba (CARM).

According to the 2013 Human Resources and Social Development Canada report on Labour Markets, carpentry is and will continue to be a high demand occupation in Manitoba. In the first seven months of 2013, Manitoba urban and rural area housing starts increased 27.4%, the highest among provinces and above the 15.8% national decline. As baby boomers age and young families flock to more rural areas, local communities are trying to keep up with demand.

Carpentry work in Brandon is not dominated by a single company and is usually provided by loosely formed teams under a general contractor. Wiigwaas Carpentry Ltd. sees this as an opportunity for creating a locally trusted carpentry company with respect and knowledge of the rural communities for support in large-scale residential development projects. Wiigwaas Carpentry Ltd. will be targeting general contractors commissioned to build in and around Brandon, Manitoba, with a focus on rural areas.

Growth in construction will be concentrated in the residential sector. Trades required for this type of construction work include carpenters.

## LOCAL MARKET

What immediate market will you serve? It is important to know the scope (the geographical area) of your initial marketing reach. Describe the make-up of this local market – who are the competitors?

Even if you are running a web based business you need to start with a focus – a geographic area you will invest your energy in to start or a very select target market.

If you're a retailer it may be residents who live within a four kilometer radius. If you're in I.T. it may be businesses within the Greater Toronto Area.

All the information you seek will not be readily available. You will need to make some deductions (as in this example with the number of Subcontractor Carpentry Services). Sometimes the best research is counting the number of businesses, visiting their premises etc. Not all the answers will come from the internet. In fact many insights will come from elsewhere.

### EXAMPLE:

In Brandon, there are approximately 18 companies subcontracting carpentry services directly to general contractors. Wiigwaas Carpentry Ltd. will target general contractors in Brandon and its surrounding rural areas that focus on large-scale residential development to build a referral network.



## KEY COMPETITORS / SWOT ANALYSIS

Who are your 4- 5 closest competitors and what are their Strengths, Weaknesses, Opportunities and Threats?

**Strengths:** What strengths does this company have from a customer's point of view?

**Weaknesses:** What weaknesses do you observe? Avoid subjective statements such as "they don't care about their customers". Be specific i.e. "customer wait time exceeds 10 minutes".

**Opportunities:** What gaps can you identify in the offerings of the competition? For example, if your competitor doesn't offer same day service, you might consider offering same day service.

**Threats:** What might the competition do to make it difficult for your business? What might happen in the industry (i.e. new legislation etc.)?

	Strengths	Weakness	Opportunities	Threats
MVN Custom Builders	In the business for 14 years	Carpenters are nearing retirement and reluctant to work in rural areas	Wiigwaas Carpentry Ltd. can fill the labour gap that will be left open and offer services to small rural communities	MVN Custom Builders can start recruiting younger employees
All Kinds Carpentry	Diversified staff with skills in a range of areas	No specialty in any particular type of construction	Wiigwaas Carpentry Ltd. can establish itself as a leader specifically for large-scale residential carpentry work	All Kinds Carpentry can recognize the emerging opportunities in new housing development
Wiigwaas Carpentry Ltd.	Familiar with and respected by rural communities  Highly qualified  Specialty in large-scale residential carpentry	Not an established brand  Not yet trusted or connected with general contractors	Establish itself as a community-friendly subcontractor in rural areas undergoing new housing development and promote online	Government immigration programs targeting skilled trade workers start moving into rural areas

## TARGET MARKET

Business-to-Consumer (B2C) = If you sell directly to the end consumer who will use the goods/services.

Business-to-Business (B2B) = If you sell to businesses OR if you sell to businesses who in turn re-sell your product or service to others (i.e. if you're a wholesaler, manufacturer etc.).

Determine who your best paying customer is – not necessarily who needs it the most, but who values it the most and is willing to pay for it. Identifying a target market will help you develop a much more effective marketing strategy. You should not plan to sell to everyone. The aim is to find your best customers and to clearly describe them by their common traits, such as:

- Demographics: Age; gender; income; education; nationality; occupation
- Lifestyle/Psychographics: Hobbies/interests, what they value most, leisure activities, what they like to buy
- Behaviour: What will “trigger” your customers to buy your product or service? What common behaviour patterns do your customers share?
- Scope: Where do your customers live and work? What is the geographic scope you want to cover?
- A target market profile can be done for business-to-business clients:
- Industry or specialty
- Size of business (sales, # of employees, budget)
- Organizational culture
- Geographic location
- Decision makers

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### EXAMPLE:

Wiigwaas Carpentry Ltd. is focused on selling to other businesses (B2B).

Target Market profile for Wiigwaas Carpentry Ltd.:

- General contractors focusing on new housing build (demographics)
- General contractors looking for licensed, certified carpenters with a focus on rough carpentry (behaviour)
- General contractors who have just acquired new work in unfamiliar rural areas (behaviour)
- Located in Brandon, Manitoba and surrounding rural areas (scope)

## KEYS TO SUCCESS

What are the keys to success for your business in marketing?

Take a look at successful companies in your industry and analyze their effective marketing and operations practices. Why have they been successful? What best practices can you take away from their example?

What are the few key pivotal drivers that will ensure success? In other words, the key priorities to keep in mind day-in, day-out. Where marketing addresses how you will gain clients, operations on how you will maintain your reputation.

### EXAMPLE:

To develop extensive networking with general contractors building new housing in the Brandon area.

To gain enough new business to hire additional licensed journeyperson carpenters, and to transition from a subcontractor to a general contractor.

## 4.0 SALES & MARKETING

“Marketing is finding out what we don't have and sales is the task of selling what we do”

## PRICING STRATEGY

It's important to understand how your pricing fits within the market, as well as the costs you will incur to produce/sell your product/service. In this section you'll define all these elements. Check out your competitors brochures, websites and advertisements to find pricing details. If prices are not advertised, consider making some phone calls to get a better understanding of what they are charging. What do your key competitors charge for the same or similar services/products? List some of your prices in comparison to that of your competition

## EXAMPLE:

Competitors use a mix of daily and flat project pricing depending on the scope of the job being completed.

Competition: \$25 -\$35/hour

Wiigwaas Carpentry Ltd.: \$30/hour

Pricing will reflect the training and skill Wiigwaas Carpentry Ltd. brings to each contract. It places the company in the middle of the average hourly pricing for the Brandon area according to the Manitoba Wage survey, considering Keith is already certified and licensed.

## MARKETING STRATEGY

There is a tendency to have a long shopping list of all the marketing activities you can do. It's more effective to focus on 3-5 marketing activities to start – this will form your marketing strategy and keep you on target. Marketing takes time and a smart business plan includes the details on how you plan on implementing each marketing activity. That being said, relying on only one Marketing Activity is not enough. Select three to start (later on you can add more).

Know exactly how each Marketing activity will be executed. Success is in the details. The biggest challenges for most business is marketing – take the time to really understand how this will be done.

Another approach is to prioritize each marketing activity (starting with the most effective method).

For each key marketing activity answer these questions:

- How and where will this take place?
- Who will be involved?
- How much will it cost and when will it be spent?
- What support materials will you will need?
- What is the follow-up/measurement system?
- When will you do this and how often?
- What are the expected results (i.e. sales, number of clients)?

By developing a detailed plan for each activity and monitoring the results you have a greater chance of success. Ideally it's good to have weekly/monthly goals, mid-range goals and long range goals. They need to be measurable with a specific time line. Increasing exposure or web presence is not a goal. Being in the top 10 Google searches for Toronto tutoring services by March 2013 is a goal. A worthwhile marketing goal is those that measure "customers" - as in the number of customers, new customers, repeat customers or customer testimonials. Customers are the reason why you're in business.



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## EXAMPLE:

### **Connecting with general contractors**

Since developing a referral network will be critical to the success of Wiigwaas Carpentry Ltd., it will start by promoting to general contractors in the Brandon, Manitoba area and outlining its experience and qualifications.

### **Establishing strategic alliances**

A secondary strategy will be to network with contacts made during his employment with Regal Woodworks Ltd. Wiigwaas Carpentry Ltd. is committed to calling contacts gathered during apprenticeship and employment to inform them of the launch of the new business and the services it's providing. Keith will also attend locally hosted monthly Manitoba Home Builders' Association to network in person with other construction trades people.

### **Neighbourhood networking**

To help establish demand, Wiigwaas Carpentry Ltd. will attend meetings of the Brandon community association as well as the Cypress River, Glenboro, Baldur and Deloraine Associations. The goal of attending is to introduce his services as a local, certified and licensed carpentry subcontractor and to inform general contractors of his services and expertise.

### **Marketing Activities**

Wiigwaas Carpentry Ltd.'s key marketing activity will be networking with general contractors and various construction and building associations. Keith is committed to reaching out to 10 general contractors every month for the first year. When operating on behalf of the company, Keith will be clean-shaven and dressed in professional/casual clothing to convey his work ethic and attention to detail.

Keith will print 100 copies of his CV, including a list of references, using his home printer to share with general contractors.

### **Marketing Goals**

Goal #1: Steady request for general contractors to add Wiigwaas Carpentry Ltd. to their lists of trusted subcontractors.

Goal #2: To get listed on RateTrades.ca after one year in business.

Goal #3: To launch company website and promote it using Search Engine Marketing tools.



## Positioning Statement

Wiigwaas Carpentry Ltd. is a professional and reliable subcontracting company that provides high-quality carpentry services for new large-scale residential builds. Experienced, qualified, highly skilled and fully insured, Wiigwaas Carpentry Ltd. undertakes all aspects of carpentry work for large-scale residential development, with the advantage of local community respect and knowledge.

## The Sales Process

Wiigwaas Carpentry Ltd. sales cycle timeline is 1-2 months.

The sales process will kick off with an informal meeting with potential general contractors, ideally in person at the location where the carpentry work will be undertaken. However, it's anticipated that these introduction meetings will happen over the phone 20% of the time.

Wiigwaas Carpentry Ltd. will be on time and dressed in professional/casual attire for the meeting. The meeting will start by collecting project requirements and the skills needed to meet those requirements. The meeting will close with a follow-up date for the quote, one to two days from the initial meeting. Two days after the quote is sent, Wiigwaas Carpentry Ltd. will follow-up with a phone call to confirm receipt of the quote, outline the work to be undertaken, answer any questions and ask for the sale.

Wiigwaas Carpentry Ltd. will agree with the general contractor on a date/time to begin work at the site within about one week of the sale closing. The complete sales process, from initial quote to payment, will take on average 30 to 60 days depending on the scope of the work to be completed.

## 5.0 OPERATIONS

The details on how to deliver Operations is ultimately about how you retain the customer and exceed their expectations after you've made the sale. This will help you delve into what needs to be in place in the back-end of your business to ensure your customers are more than satisfied. Peel back the layers and identify the various components that enable your business to deliver your product or service to your customers. At the end of this you'll be able to: Identify the necessary start-up resources for your business. Clarify your production/process. Understand how to assess risk for your business.





## LOCATION(S)

### Physical Location

- If you're opening a store front make sure to address what types of customers and foot traffic can you expect in the area. Provide details such as hours of operation and how you compare to your competition.
- If you plan on leasing space it is important to have talked to the landlord to understand the leasing terms, financing requirements and rent before assuming you can have the space.
- In the early stages of your business planning you can state your intended areas of renting space with a rationale as to why you are considering these areas.

### Virtual Location (For online businesses only)

- When building your website it's important to consider what features are the necessary for launch and which could wait until your company is more established. When making these decisions consider the purpose of the website; will it just provide supporting marketing content or will it directly generate sales?
- When considering a professional website developer/designer it is strongly recommended that you receive a detailed quote including: list of expectations, time of delivery and terms. Ask for examples of past work, references and years of experience (or number of websites developed) and any relevant credentials.

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### EXAMPLE:

Wiigwaas Carpentry Ltd. will operate from a small commercial office.

Website: Wiigwaas Carpentry Ltd. website will launch/launched on 01/10/2013.

Wiigwaas Carpentry Ltd. will have a well-designed website for marketing and contact purposes. No quotes or payments will be conducted on the website. The majority of content on the website will be static, apart from the portfolio section which will be kept updated.

The website will be developed by a local agency on WordPress to ensure easy content updates, with hosting being set up at GoDaddy.ca. The domain <http://wiigwaascarpentry.com> is available for purchase and is included free with hosting for the first year, and will cost \$89 for every year thereafter. The local agency has quoted \$1,200 for full website development, including design, content and build.





## LEGAL ISSUES & LICENCES

Consider which legal & regulatory items such as licenses and contracts need to be addressed. Select any items from the list that will apply to your business.

- Business licenses
- Location & zoning by-laws
- Health inspection
- Intellectual property (i.e. patents, trademarks and copyright)
- Operating licenses (i.e. child care centres, gas stations, etc.)
- Industry specific licenses (i.e. dentistry, alternative health care, plumber, electrician)
- Import/export
- Registering employees
- Contract agreements (partnerships, independent contractors etc.)

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### EXAMPLE:

Wiigwaas Carpentry Ltd. anticipates the following legal issues:

- Business licenses
- Operating licenses (i.e. child care centres, gas stations, etc.)
- Industry specific licenses (i.e. dentistry, alternative health care etc.)
- Registering employees
- Contract agreements (partnerships, independent contractors etc.)

Wiigwaas Carpentry Ltd. has had a NUANS Corporate Name Search report created and confirmed the business name availability. Wiigwaas Carpentry Ltd. has registered the business with the Information Services Corporation (ISC) website (<https://business.isc.ca/Pages/default.aspx>) that provides registration with all necessary government agencies: Corporate Registry, Canada Revenue Agency and Manitoba Ministry of Finance. (For Ontario residents you can register your business at [www.serviceontario.ca](http://www.serviceontario.ca)).

## INSURANCE ISSUES

Do you plan on purchasing any insurance? If so what type?

- insurance for owners, partners and key employees
- insurance for business property and earnings
- liability insurance
- accounts receivable insurance

All businesses take some form of risk. Many businesses start off by having liability insurance - to protect their business from being sued. One way to determine whether you should take insurance or not (and the type of insurance) is to see what the norm is in the industry.

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**EXAMPLE:**

Wiigwaas Carpentry Ltd. requires insurance for business property and earnings, liability insurance, and accounts receivable insurance.

## HUMAN RESOURCES

In some businesses, hiring staff is a necessity (i.e. restaurant). However, be cautious when hiring staff in the early stages of a business. Remember that you are still learning! Once you have some experience under your belt, you will also be in a better position to determine what type of staff you actually need.

Generally speaking, sales should justify hiring staff or contractors.

Remember that there are different legal obligations if you hire staff as an employee or as an independent contractor. Some businesses prefer to hire independent contractors rather than have employees on their payroll.

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**EXAMPLE:**

Wiigwaas Carpentry Ltd. will have 1 - 10 full time staff and 0 part time staff.

Wiigwaas Carpentry Ltd. will start with the owner, a hired receptionist and two general labourers as the four employees. Keith is a certified and licensed journeyman carpenter who will actively seek business, generate quotes, perform work, oversee labour and collect payment. The receptionist will answer phones, scan and file documents into an imaging system for electronic archival purposes, sort and file documents by type and provide general office support. For the first year as Wiigwaas Carpentry Ltd. builds its network and sales rise, it will re-evaluate its need to hire more journeyman carpenters and general labourers.

## PROCESS/PRODUCTION

The production/process asks how you plan on carrying out or supporting the sale.

As a business you make a promise to your customer and are expected to fulfill those expectations. Creating a favourable customer experience by examining the process or production will help you identify any gaps and deal with potential problem areas ahead of time.

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**EXAMPLE:**

Customer/general contractor invite Wiigwaas Carpentry Ltd. to provide a quote. If quote is accepted, customer/general contractor signs a contract with Wiigwaas Carpentry Ltd. that outlines services to be provided, expenses, acceptance terms, schedule and payment terms. This provides an opportunity to review the details from the quote and set expectations.

Wiigwaas Carpentry Ltd. and customer/general contractor agree on a start day and time.

Wiigwaas Carpentry Ltd. sets up safety precautions for area where work is performed and begins work.

Wiigwaas Carpentry Ltd. submits progress claims acceptable to the customer/general contractor on or before the 20th day of each month.

Payments will be made monthly on progress claims as certified by the customer/general contractor or covering 90% of the work completed by Wiigwaas Carpentry Ltd. plus the applicable VAT. Such payments will be made within 10 days after the general contractor has received payment from the owner.

After the full work is completed, the customer/general contractor is asked to review the work and test the functionality of the work.

A final invoice is presented to the customer/general contractor in person and payment is due within 30 days of completion of work.

## 6.0 FINANCIALS

Getting the most for each start up dollar! Starting a business inevitable involves a number of start-up costs. Where will the money come from? What sources of funding are available? What do you need to consider? When will you start making money? Let us help you answer all of these questions and more! Start-up costs are integral to the initial success of your company. At the end of this you'll be able to: Assess what costs are needed for getting your business started. Evaluate where and how to spend your start-up capital.

## START-UP COSTS & BREAK EVEN ANALYSIS



Start-up costs are those costs that you will incur upfront to open your business. There are several questions that need to be answered before you complete your cash flow forecasts. The Break Even Analysis will help you figure out what you need to price your products at in order to break even every month. That means what you need to make in order to pay all your bills and still have money left over to operate.

## BREAK EVEN POINT

- What revenue do you require to cover all your monthly expenses?
- The break-even is the point at which the business neither makes nor loses money
- This is a very important indicator of whether a business is successful or not
- It can take a while for a business to break-even...you need to know how long it will take
- Use the break-even template to calculate your monthly and annual break-even
- If your expenses go up, so does your break-even point
- If your Gross Margin % goes up, your break-even point comes down
- If your Gross Margin % comes down, your break-even point goes up

Your breakeven point can be determined by using the following formulas

- $\text{Sales Price per Unit} - \text{Variable Costs per Unit} = \text{Contribution Margin per Unit.}$
- $\text{Contribution Margin per Unit divided by Sales Price per Unit} = \text{Contribution Margin Ratio.}$
- $\text{Breakeven Sales Volume} = \text{Fixed Costs divided by Contribution Margin Ratio.}$

### Fixed costs

- These are costs that are the same regardless of how many items you sell. All start-up costs, such as rent, office equipment, insurance and computers, are considered fixed costs since you have to make these outlays before you sell your first item.

### Variable costs

- These are recurring costs that you absorb with each unit you sell and changes as your volume of business changes. Example: inventory, raw material, direct production labour.

### Setting a Price

- This is critical to your breakeven analysis; you can't calculate likely revenues if you don't know what the unit price will be. Unit price refers to the amount you plan to charge customers to buy a single unit of your product.

## SALES FORECAST



The sales forecast can be challenging when you do not have previous experience in your business and do not know how much business you can achieve reasonably. The forecast forces you to show or demonstrate the potential of your business. You should use caution in setting the bar too high or too low. If you do research, you should be able to come up with reasonable assumptions that you can forecast.

## ASSUMPTIONS

All assumptions, which were outlined in the Business Plan under the sections Company Outline, Operating Plan, and Marketing Plan, are clearly identified. Predicting income is without doubt the most difficult part of cash flow forecasting.

Assumptions are your enemy, but you're still going to have to make some judgement calls on how much income you think you'll generate.

Remember, income isn't just cash from sales but other sources of money as well – including cash injections from bank loans, interest on savings and income from investments. You also shouldn't confuse 'income' for 'profit', which is your income after variable costs and overheads.

If you'll be using your forecasts as part of a business plan or information memorandum for investors, try by producing three forecasts showing:

- A pessimistic estimate of income
- A realistic, or most likely, estimate of income, and
- An optimistic estimate of income.
- 

By producing these three variations, you'll show others you're aware of the possible variables and you're not just planning for the best-case scenario.

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### EXAMPLE:

**Key assumptions** for Wiigwaas Carpentry Ltd.:

Slowest months: Jan – Mar, the off-season for construction in Canada

Five requests for quotes from network of 10 general contractors /month

Completing five quotes will result in one sale

Average sale: \$10,000

Anticipate one sale through previous client/general contractor referrals every other month after the first four months

## Year One Sales Forecast (Including Assumptions)



April - \$0 - Made personal contact with 10 local general contractors to align with the upcoming start of the construction season. Attended a locally hosted Manitoba Home Builders' Association monthly meeting and talked to five additional general contractors.

May - \$11,000 - One closed sale from a general contractor in Brandon via word of mouth. A further nine introductions made with general contractors building multi-unit housing in rural areas outside of Brandon. Ten follow-up appointments with local general contractors from April. Met with agency to begin website development.

June - \$21,000 - Two closed sales from word of mouth, via the Construction Association of Rural Manitoba (CARM) online profile and from personal contact made in April. Attended locally held Manitoba Home Builders' Association meeting and talked to five new contacts.

## RISK ANALYSIS/ASSESSMENT

In this section you will want to recognize potential problems relating to your venture and take steps to decrease the likelihood and impact of their occurrence. Be realistic and honest when identifying potential risk. Identifying and analyzing potential problems before they happen will make the venture look more attractive. It will also enable your operation to deal effectively with them when they do occur.

- What potential internal and external risks exist for this business?
- How are these risks going to be minimized or overcome?
- What type of insurance does the business have?

## CONTINGENCY PLAN

In the event that the business fails, what type of exit strategy has been considered?

No new business owner likes to consider this possibility. However, if factors beyond your control force you to discontinue your business, you should consider what can be done to lessen the problems this situation presents. Investors want to know if you have in place a plan in case things do not turn out. They need to be assured that they will get their investment back.

