



# The Elements of A Successful Business Plan

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*One of the most important steps prior to starting a business is the thoughtful and thorough preparation of a business plan. Regardless of whether you are writing your own plan or are having a consultant do this for you, the activity brings an important level of clarity to your business idea, and realism to what you are about to undertake.*

*A successful business plan is a road map. It shows you where you want to go and the path that you are going to take to your business' success. It requires you to describe in very specific detail the components of your business, along with the assumptions that you are making. It forces you to separate out the direct and indirect activities that are required to start, and then run your business. As well, it is an important sales document that you will likely use to secure some elements of finance.*

## The Seven Essential Elements of your Business Plan

### 1. Your Products or Services    2. Your Customers

Your business plan must describe in clear detail what your company will do. This means:

- Describing each of your products or services and what is unique about each one.
- Identifying specific needs and problems that each of your offerings addresses.
- Demonstrating the value that your products and services provide to prospective customers. Value can come in many forms - cost savings, efficiency improvements, entertainment factor, etc.

Customers are the centre of your universe. Without customers, you don't have a business. An effective business plan needs to explicitly identify the "types" of customers (customer segments) that will purchase your offerings. Your plan needs to describe:

- The different customer segments along with a description of what makes each segment unique.
- The size of each customer segment in terms of numbers of potential customers or size of the market. In some cases, it may not be possible to get your hands on this information, however it is usually possible to come up with some estimate.

•A forecast of your sales over the next 36 months in terms of revenue, units and number of customers. If possible, you should also determine what share of the market you intend to capture.

•Included in your analysis needs to be a list of potential customers you have spoken to about your offerings who have said they will purchase your products or services.

If you do not have this list developed, do not proceed with your business plan until you have completed this activity.



### 3. Marketing Your Business

Once you have laid out your description of your customer base you need to describe how you are going to market your offerings and your company. This means:

- Describing how you are going to sell your products. This may include direct sales, distribution channels and/or ecommerce. You should also include a discussion on the selling experience and be explicit about geographic focus and targets.
- Determining how you are going to advertise your offerings. You will also need to determine what type of promotional materials you will need to both advertise and sell your products and services. Promotion of your offerings through printed literature, website, word of mouth, use of samples, etc.

### 4. Your Operations and Support

The next aspect of your business plan includes a thorough description of the operations and support you will need to produce and deliver your offerings. This may include details on manufacturing, service and delivery of your products or services. You will need to detail significant capital assets that are required along with any technology needs to support your business.

You will also want to include a thorough discussion on:

- Where you are going to be located along with a description of your basic requirements such as space, location, etc. You will also want to indicate if you intend to lease and provide information on pricing and terms. Note that if you are operating out of your home, you will want to identify that this conforms to local zoning.
- Your supplier base indicating their inputs along with secondary suppliers. You may also want to indicate the type of inventory control you will use, if applicable.

•Any regulatory requirements and licenses that pertain to your business. These should indicate local, provincial, national and international if applicable.

•A discussion on the legal structure of your company

### 5. Industry Trends and Structure

Every business operates in an industry and is subject to trends. You will want to provide a discussion on the overall rhythm of your industry, where the industry is at in terms of growth or decline, along with some discussion on any changes that have occurred, or are expected to occur. This should also include the implications for your business.

Be sure to include commentary on the competitive nature of your industry. You will want to profile the types of competitors, their strengths and weaknesses and a discussion on the perceived value they provide to your customer segments. Commentary on how they sell and their estimated sales along with pricing information should form part of your discussion.



## 6. Financial Discussion

Once you have described your products and services, customers, markets and internal operations you need to identify costs and revenue, which determine the degree of profitability of your company. A comprehensive overview includes:

- A detailed description of the selling price and costs associated with your products or delivery of service. Your selling price and cost structure should also include a discussion on similar competitive products.
- Estimated gross margin or contribution margin for each offering.
- Estimated sales for the first 12 months, with an optimistic, realistic and pessimistic forecast. Then a realistic forecast for the next 24 months.
- A detailed summary of startup costs. This includes equipment, tools, office furniture, computers, software, vehicles, etc. You should indicate which of these assets are currently owned, and which ones need to be purchased.
- Identification of periodic costs such as annual insurance.

- Detailed fixed costs that are related to the ongoing operation of your company such as rent, utilities, salaries, etc.

- A detailed discussion regarding break even sales, which identify the level of sales required to be profitable.

- Identification of the sources of financing that you are seeking. This includes any bank loans, personal investment, operating lines of credit along with supplier credit terms.

- Preparation of financial statements for the first 36 months of operation. This includes cash flow, income statement and balance sheet. A discussion on the viability of your business based on this analysis.

## 7. Personal Assessment

No business plan is complete without a comprehensive discussion on the motivations and aspirations of the owner. This should include the following:

- Your background, relevant experience and insights on the reasons for wanting to start your business.

- This should include general characteristics, training and skills that you possess which you believe will contribute to your success.

- Statement of your general health and well-being.

- Identification of other family members that may be involved in supporting you in your business.

- Personal financial budget, including assets and any obligations.



## Pulling Your Plan Together

The development of your business plan involves a considerable amount of time and effort on your part. The time spent gathering information, speaking to individuals and companies, researching your competitors and figuring out how you will run your company will bring to the surface key areas that you have either missed or poorly understood. Don't be surprised if you need to revisit your key assumptions. This is the time to identify any errors and to challenge your assumptions about running your business.

