

3.1 Write a business plan

What is it?

A BUSINESS PLAN IS A WRITTEN DOCUMENT about the nature of your business, its historical activities (if any) and your plans and goals for its future. The business plan will summarize your research into all the aspects of your business idea, giving you product, marketing, finances, operational and management plans. You will lay all this material out as a “roadmap” for yourself, bankers, investors or government officials.

Benefits of a business plan

The most sobering statistics for entrepreneurs are those for business failures: half of new ventures fail in the first year; 80% in the first four years. More than anything else, the purpose of a good business plan is to keep you from becoming one of those statistics. It can do this by:

- clarifying your strategies, challenges and activities
- providing something substantive for potential investors to consider
- forcing you to make careful considerations and objective plans
- keeping you realistic about profit potentials by preparing financial forecasts
- giving you a “benchmark” against which to measure your goals. Regular evaluation of your progress in relation to your plan will be key to the success of your business.
- giving you direction in managing your business and dealing with problems as they arise

Elements of a business plan

The elements of a Business Plan are these:

- *Historical Analysis.* This answers the question: *Where is the business now*, and applies only to an existing business. The historical analysis primarily looks at financial performance over a period of years, but also looks at past markets, personnel and competition.
- *Mission Statement.* This answers the question *Where do you want your business to go?* The answer is a statement of your goals and objectives. It is important to have such a clearly defined mission so that you can be sure that all your business activities are productive.
- *Narrative Description.* This answers the question *How are you going to get there?* This includes a description of your market, location, facilities, competition, management and staff and the actions or steps that you will take to reach your objectives.
- *Operating Budget.* This answers the question *What is it going to cost*, and includes your forecast (or budgets) of results, financial position and cash flow for the next 1-5 years. These forecasts are merely the financial expression of your goals and actions, above.
- *Financing.* This answers the question *Where is the money going to come from?* Once your operational budget is prepared, results will show where, when and how much cash is needed. You can then analyze your financial needs together with their timing to determine the best sources, combinations and cost of financing.

The approach

Approach the writing of your plan with a clear idea of your audience – whether investors, bankers government officials or others – and tailor it to that audience. Your writing style should be as clear and direct as possible. Say how you will do what you plan to do. If you say, for instance, that your product or service will be purchased by wealthy 45-year old Americans, then say how you know they want it, how you will promote it, and how much product you will sell. Follow up all your assumptions with facts and figures. Your writing style should be positive and assertive – don’t use words like *maybe*, *perhaps* or *probably*. And, finally, do not write more than you have to. Generally, 80 hours should be enough to put together a workable plan. This will vary widely depending on your experience, the size of your business and the size of your plan.

A note about design

When designing the document, remember that it is not a “lure” piece but a business document. If it looks flashy it may give the impression that you are covering a lack of substance with style. Ensure that there are no spelling or grammatical errors, and do not make it longer than you have to.

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The 7-part format

While there are variations in the format, most Business Plans consist of these 7 parts.

1. Executive Summary

This is a 2-3 page summary of your business, its goals, plans and budgets, written after the rest of the plan is complete. It is where most investors turn first. This needs to be a well-written, thoughtful and interesting introduction to your business and the unique features it is presenting. It must include all your critical success factors and capture the interest of your reader. Remember that this is the most important part of your plan.

2. The Business

In this section you describe your business first in broad terms (providing wilderness adventures) and then specifics (4-day guided river trips down the Bluewater River). Here also you set down your company's explicit goals, whether it is return on investment or sales of so many units. If it is an existing business, refer also to the company's past strengths, problems and weaknesses.

3. Marketing Plans

These will start with an industry analysis that looks at trends and the current status of the tourism industry as well as your sector. You will want to look at the size, competition, barriers to entry or growth, financial performance and the possible affect of recent government regulations.

Next comes market analysis, an in-depth look at how you perceive the market into which you are selling. Who are you selling to? How do you segment it? Who are your competitors and what is their market share? What are your customers reasons for purchasing?

Fully describe each product, including brand names and features. Analyze your product's competitive advantages and disadvantages. Work out the costs and profits for each of your offerings, as well as the planned output and sales mix. Who are the buyers and end users? Discuss opportunities or plans for expanding or otherwise developing your product. (see *Fact sheet 3.11*)

Finally, you will come up with a marketing strategy that shows how you plan to get your product to your buyers. You must decide what groups to target, what attributes to emphasize, what distribution channels to use, who will do the selling, how you will price your product, how you will promote it and what that will cost. (see *Fact sheets 3.8 to 3.13*)

4. Management and Organization

Here you will spell out how your company is organized, its legal structure, a list of managers and owners, and how the decisions are made regardless of the formal structure. Include details of education, skills, experience, duties and responsibilities.

5. Implementation Plan

This plan details the actions and activities that are necessary for the business to achieve its goals. Establish a time line with firm completion dates to show when you need to perform each action—whether marketing, production, research, development, personnel, or finance. These actions are usually performed on a monthly or a quarterly basis. A contingency plan should also be developed for any critical risk that your business faces. Here you will list potential problems that can affect implementation together with potential solutions that will offset each of them.

6. Financial Statements and Projections

This is a dollar and cents expression of your expected future. This must be consistent with descriptions you have already made of the industry, your marketing assumptions and strategy and your implementation funds requirements. You must answer four questions here: How will the company perform? What will the cash position be? What will the financial position be? What significant assumptions did you make? You must also test your financial projections with "best case" and "worst case" scenarios. (see *Fact sheet 3.5*)

7. Appendices

This is information that doesn't fit into the body of the plan or may be distracting to the reader. It might include permits, contracts, marketing agreements, references, analysis details, etc.

Getting professional help

Consider getting advisors to help you with your business plan, especially to review and assess your major operating assumptions. Young entrepreneurs (30 and under) can get help in developing their plans through the Yukon Entrepreneurship Centre at the Wood Street Facility, Whitehorse, (867) 393-3574.