

Business Plan: Annotations

Transmittal Letter

The transmittal letter written by the owner, Christy Toller, explains the business concept, describes customers and competitors, and the benefits to the reader, who is the Canadian Youth Business Foundation (an organization providing financing to youth-owned and operated businesses). (She didn't yet know who she was directing the letter to, so there are some blanks for the name and address of the key decision maker.)

Don't worry too much if your letter is longer than one page, but try to keep it to no more than two pages. Christy has done a good job of summarizing the most important details of her plan to entice the reader to review the business plan for more details.

Business Information

In this section, Christy has provided her business's information, using the structure discussed. She has not yet decided on her legal counsel or accountant, and therefore did not include this information on this page. (This is acceptable if your venture or business does not yet engage these professionals for advice or work. However, if you have an idea of whom you might use, it is okay to include this information here.)

As a start-up business, though, it's to Tops of Shop Creative's advantage to include information about advisors and mentors. Including information about professionals who will help you with guidance and trouble-shooting along the way will reinforce the business case; as a new entrepreneur, Christy has not yet proven herself so is providing this information to imply that she will be asking for help from competent professionals when she needs it.

Mission Statement

This mission statement clearly states what the company does, and what it hopes to achieve with its customers ("effectively establishing small businesses within the community.") It's short and to the point, and represents the company philosophy simply.

Values Statement

The values statements included here clearly reflect what the company will "stand for" and the key guiding principles of the operation. Note the Values Statement is more explicit than the Mission Statement about what the company will ensure in the customer and community experience of the business.

Business Concept

The business concept as presented here clearly identifies the who, what, where, when, why, and how of Tops of Shop Creative. More detail here on how the company would generate sales and revenue might be helpful, and the owner could have written more about what they do, but this concept is adequate for the task of informing the reader about the company.

Goals and Objectives

Christy's goals and objectives are SMART—specific, measurable, achievable, realistic, and time-sensitive. For example, in the first goal, she has stated that the company wants clients; that it wants TEN of them; and when she hopes the company will have acquired these new clients (December 2017).

The objectives that follow this goal are equally specific—providing detail on each action needed to achieve the goal, along with a deadline for achieving each task.

Goals and objectives need to be SMART in order to have a game plan for achieving them. Otherwise, Tops of Shop Creative would have nothing to measure its progress against in business development.

Market Analysis

1.1 Overall Market Analysis

This section has identified key information about the overall market that will affect the successful operation of Tops of Shop Creative.

The first paragraph identifies an increase of 15% in the population and businesses in Dovercourt Region, where the company will operate. This is certainly one point in the company's favour. With more people and businesses, Tops of Shop should be able to capture more customers.

In the second paragraph, key points in the company's favour include the region's status as one of the fastest growing economies in the country, with almost 10% of residents being self-employed. An increase in retail means an increase in business for Tops of Shop, focused as it is on working with small to medium sized businesses.

Using very recent statistics, Christy also states there will be growth across Canada in small businesses, with many planning to expand. Expansion and growth often requires new or more comprehensive advertising, product branding, or web presence...all of which Tops of Shop will provide to these businesses.

In short, this section does a good job of describing the positive and supportive context in which Tops of Shop will commence operations. All of the "big picture" factors seem to point to success for the new venture.

1.2 Customer Analysis

Tops of Shop’s customers are described in general in this section, providing a smooth transition for the more detailed information on primary and secondary customers to follow in subsequent sections. Including some general information about customers just below this heading is not specifically essential, but it provides a good introduction to what follows, enticing the reader to read more.

1.2a Primary Customers: Demographic Profile

In this section, it’s important to provide not only your assumptions about who the primary customers are, but also the proof that your assumptions are true and verifiable. This is what begins to establish your business case in earnest! In this section alone, Christy has used three credible sources to back her assumptions.

All of the statistics included provide a picture of who the potential primary customers are, how many there are, how much money they have to spend on the services Tops of Shop provides, and how many there are (percentage) in Ontario.

1.2b Primary Customers: Psychographic Profile

The demographic profile of the primary customer does not really “deliver the goods” to prove the business will have customers without this section on the psychographic profile. In this section, the motivation of the potential primary customer to buy services from Tops of Shop is clearly identified, and backed up with several credible sources so assumptions are proven and tested.

Apparently, businesses do not do enough advertising, don’t have a web presence, don’t sell online, and really do not know how to conduct a marketing campaign, let alone know how to produce the visual and electronic marketing pieces needed. This causes problems in attracting customers and making sales. Tops of Shop is poised to help businesses solve these problems and achieve success.

1.2c Secondary Customers: Demographic Profile

As was the case in the primary customers’ demographic profile, Christy has provided a solid description of who her secondary customers are, why they are secondary, and other quantifiable details—backed by credible sources.

1.2d Secondary Customers: Psychographic Profile

As in the section on primary customers’ psychographic profile, this section provides compelling evidence for why this group of people and businesses will be motivated to buy from Tops of Shop. One of her sources, Faith Popcorn, is a noted demographer and trend tracker, someone who major advertising and marketing agencies rely on to accurately forecast social and consumer behaviour changes—a highly credible source to underscore Christy’s assumptions!

1.3 Competitive Analysis

Christy has chosen not to put any text under this heading, preferring to provide information on competitors in the sections that follow. A summary of what follows would also be acceptable here (as in the Customer Analysis section), but is not strictly necessary.

1.3a Direct Competitors: SWOT Analysis

Tops of Shop's direct competitors are first described according to what they do, who they are, and their background. Then Christy has described each competitor's strengths, weaknesses, opportunities, and threats in short paragraphs. The succinct paragraphs allow the reader to clearly see what the competitor's SWOT is, and to quickly understand the competitor's situation. Note there is plenty of detail to demonstrate that Christy did a thorough job of digging up information on each competitor, and assumed little.

1.3b Indirect Competitors: SWOT Analysis

As is described in the business plan how-to, Christy has grouped Tops of Shop's indirect competitors into groups, giving some examples of these competitors, and providing SWOT analysis on each group. This is appropriate because the indirect competitors are less of a threat (not providing exactly the same services or products), and more numerous, so it would be incredibly time-consuming to conduct an analysis on each one!

1.3c Competitive Strategy

Based on the findings of both her direct and indirect competitors' SWOT, Christy has presented an overall strategy to meet strengths, capitalize on weaknesses, exploit opportunities, and plan for threats, rather than address what Tops of Shop will do to deal with the specific SWOT of each direct and each group of indirect competitors.

This is acceptable, but in businesses where there are many direct competitors, it would probably be better to discuss the company's competitive strategy for EACH direct competitor, based on each one's SWOT. In some businesses where there would be many indirect competitors, but few or no direct competitors, it might be a good idea to discuss the company's competitive strategy for dealing with each group of indirect competitors.

Again, as has been mentioned before, a business plan must be structured according to the needs of the reader(s). If your business has many competitors, the reader is going to want to know that YOU know whom these organizations are, and that you have a plan to deal with them . . . to protect their financial or other investment in your venture.

Marketing Plan

Christy did not include an overview of what the marketing plan following will include, but this is acceptable. If you want, you can put a very short summary of what follows in the plan under this heading, and before you launch into more explanation in the subsequent sections.

2.1 Summary of Market Analysis

In this section, Christy has effectively summarized all of the information she provided in the Market Analysis section. While this may seem redundant, remember that the reader is a highly distractible being (as we all are), and probably has only skim-read the Market Analysis—so it's a good idea to provide the most important details again to ensure he/she has seen what really constitutes a major part of the business case.

2.2 Marketing Goals and Objectives

You may notice, in reading this section that there seems to be some repetition of goals compared to the main goals and objectives section. However, what makes this section different is the level of detail in the objectives. Christy has provided more detail about the specifics of what she plans to do *in terms of marketing* to achieve goals. Expect some crossover with the main goals and objectives section, but do try to keep your focus on the specifics of what you will do with marketing to achieve the goals.

2.3 Situation Analysis

Again, Christy has chosen to focus on the details of subsequent sections to provide situation analysis. This is acceptable, as would be a summary of this subsection to lead into the details that follow.

2.3a The Marketplace

This section reads an awful lot like the overall market analysis section you have read previously. Yes, this is somewhat repetitious, but another summary of what the overall market situation is doesn't hurt, because the reader may not have had much of a chance to really absorb details on the market context in which Tops of Shop will operate.

2.3b Information Parity & Advantage

In this section, Christy has described what Tops of Shop will do that's the same as her competitors (website), but also what she knows will work for companies like hers—that her competitors don't seem to know about or embrace (social media for marketing, better quality and up-to-date materials on the company website, and print advertising in relevant directories and media).

2.4 Marketing Program

In this section, Christy sets the stage for the details to follow by letting the reader know that all plans that follow are based on customers' demographic and psychographic profile and competitors' SWOT analysis. This is a smooth transition into the information that follows.

2.4a Primary & Secondary Influence Points

Christy has done an excellent job of organizing Tops of Shop's influence points by presenting what the customers' concerns are (eg. “small businesses are unsure if they will get a good return on investment from hiring a graphic designer . . .”) and then presenting what her company's message will be in return.

The reader can clearly see that she knows what the customers' common objections to buying the company's services will be. Even better, Christy has provided the message that will be incorporated into marketing efforts to overcome these objections . . . thus demonstrating to the reader that she knows her customers, knows there is a risk, and has a plan to deal with these objections.

2.4b Marketing SWOT: Direct/Indirect

As instructed, Christy conducted a SWOT analysis on each of her direct competitors and each group of indirect competitors focused on their marketing (and not their overall market, operational, and financial SWOT, as was covered earlier in the plan).

This analysis helped her to decide on the forms of advertising, promotion, and other marketing Tops of Shop needed to compete effectively with these competitors.

2.4c Positioning Statement

The positioning statement is short and to the point, clearly identifying what Tops of Shop offers (products and services); what makes it different from the competition (tailored packages); the company's primary customers (small to medium-sized businesses) and what the customers want that the company provides (benefits—"to effectively promote . . .").

2.4d Program Components

There is no need to write a preamble to the program components that follow in this section, so Christy did not write anything here.

2.4d (i) Advertising Campaign

Christy has indicated that there is a marketing calendar with details of monthly advertising activities at the end of her plan. This is because including the chart here would take up too much space and distract the reader from reviewing the rest of the plan.

She has neatly organized information on each advertising channel/outlet, including a description of each, circulation, number of issues, geographic area served and distribution, competitors also advertising in the same publication/media outlet, and the average reader.

When it comes time to advertise, Christy will appreciate this information because it will remind her why the chosen media are effective in reaching her primary and secondary customers. When the phone starts ringing with advertising sales representatives who are eager to sell to her, she will have a plan and will be able to say to those NOT on the plan that she already has her advertising plan organized, and that she would be happy to receive a package of information from the media outlet to consider for NEXT year's advertising plan and budget.

This should reduce the number of harassing phone calls she receives from sales reps, and will keep her on track with her plan and her budget (so she doesn't overspend on unplanned advertising).

She has also included information about advertising description, design, and other details, including contact information of the person at the media outlet who will take care of the contract. This is going to be incredibly useful when she is so busy she cannot remember the details of what is needed to advertise in any of her chosen media.

To the reader, this information demonstrates that Christy has carefully considered where she will best spend her advertising dollar to ensure she effectively entices primary and secondary customers to call or communicate with her about her products and services . . . that could lead to sales. Obviously, the reader or lender is going to want reassurance that there is a plan to attract customers to sell to them!

2.4d (ii) Promotional Campaign

As in the previous section on advertising, Christy has included all the details needed to implement promotional activities designed to "build buzz" for her business and attract potential customers.

These details will help her when the time comes and she starts up, so that she stays on budget and on track with her marketing goals and objectives. Readers of the plan who are assessing business viability will be pleased to see that she has been so thorough in her research to determine best promotional activities, and that she has obtained all needed information to implement promotions. Again, this builds confidence in the business case.

2.4d (iii) Identification & Promotional Materials

In this section, all of Tops of Shop's planned identification and promotional materials are described according to such details as quantity, description, design, printing/production, format, time/deadlines, and total monthly/12-month cost.

This information will help to keep Christy on track with her budget and getting these materials produced at the best possible moment for optimum results. What this information indicates to the reader is that, again, she is being very thorough with her plans; the reader is further convinced that Tops of Shop Creative is a good financial or strategic risk.

2.4d (iv) Pricing, Placement & Distribution

It's important for any business to base pricing of products and services not only on the profit the company needs to make, but also industry standard pricing/rates. Christy has obtained information on rates charged by graphic designers of various levels of experience by job type. Any reader looking at this pricing would be satisfied that Tops of Shop's pricing is based on best practices in the industry—further underscoring how the company is managing risk in terms of pricing.

For each of Tops of Shop's services/packages, Christy has supplied a description of services/work provided, the number of hours involved, and the stages of development, including the company's and the client's responsibilities in the project. While this is reassuring to the lender or reader—demonstrating attention to detail and risk management—the usefulness of this information is more relevant to the company. With such detail, Christy can create contracts for her customers that will protect both client and company alike, clearly spelling out the scope and limitations of work, and obligations of everyone involved for successful completion.

Writing contracts is a daunting task, particularly for someone who is new to a business or sector. There is always a concern that something important will be omitted, and that this will cost money or cause heartache to those involved. Factor in how busy the manager or owner is when the contract has to be written, and there is great potential for these kinds of expensive omissions! Having the details more or less spelled out here provides a solid foundation for a happy, successful project—and customers.

2.4e Controls

Readers of the plan who want to know their investment of time or money is warranted would be pleased to find that Tops of Shop Creative's marketing efforts will be evaluated while underway. The details provided in this section will assure the reader that the company's finances will continue to be well invested and not wasted on marketing that is not working.

For the owner and employees of this company, this section outlines how the company will evaluate marketing to determine if it is working; if a specific form or channel of advertising or promotion is

not attracting customers after a few months, then the company can adjust by pulling out of that marketing, and applying marketing budget dollars to something more promising.

2.4f Marketing Plan Financial Narrative

This section presents a narrative that explains the marketing plan budget attached in the Appendix section, detailing the costs per ad or form of marketing, frequency of ad/promotion, and costs per interval/month and for the first year of operations.

Using subheadings as Christy has done here is a good idea to keep the information organized and easier to read later...and for your readers to see at a glance the explanation of the spreadsheet that follows.

As in the Financial Plan Narrative that follows this section, it is a good idea to provide written details of any spreadsheet documentation, as some readers do have a difficult time interpreting information in that format. Providing both forms of explanation ensures that the reader is abundantly clear about the details of the business's finances, and decreases the number of questions or objections the reader may have about this aspect of the business plan.

2.4g Marketing Plan Financials

As your spreadsheet financials can take up a few pages, you don't insert them into the plan here, because the reader would have a hard time resuming reading beyond this point. (Readers can be highly distractible creatures!)

Human Resources

In order to organize information so it is easier to read, Christy has used subheadings for each position in her company, including responsibilities, qualifications held or sought (depending on whether the person is already involved in the business), and breakdown of tasks/job description.

At a glance, Christy will be able to see what she planned for human resources in the short and long-term. She will also have the basis for job descriptions and advertising for positions when the time comes to hire (such as the web designer she plans to hire in April 2019).

This section of the plan will help her to remember what it is she planned for start-up and future hires, and demonstrates to the reader that she has thought through the company's HR needs for the first few years of operation. Again, this reinforces for the reader that this is a company that has been well researched and planned—and that it is a good risk to consider investing in.

Risk Management

Christy has organized the three main risk categories into subheadings for market, operational, and financial risks. She has neatly organized information into further categories of risk, proactive plan (what she plans to do to avoid the risk), and contingency plan (what she will do if all else fails).

This quickly and succinctly explains for the reader, who is quite concerned about any risk to his or her investment of money or other resources, that the business owners knows many of the potential risks, has thought about them, and has a plan for avoiding or managing risks.

Financial Plan Narrative

The financial plan narrative explains all of the categories and types of expenses noted in the financial plan spreadsheets, so that the reader has two different ways of obtaining and understanding the finances, cash flow projections, and other relevant financial data of the business as it starts up and operates.

Having a narrative and spreadsheets also decreases the possibility of questions to Christy, as anything that appears strange (i.e. an expense in only one month, versus monthly) can be explained before the reader has a chance to be concerned.

Financial Plan Spreadsheets

Christy has merely mentioned the Financial Plan Spreadsheets, which are attached to the plan, so the reader can locate them.

Appendices

The Appendices (or Appendix) section is presented with a cover page. It is also acceptable to list the appendices that follow on the cover page, if there are several to look at.

Note that Christy has not loaded the Appendix with many extra materials—only those that further underscore Tops of Shop Creative’s business case.