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# COMPONENTS OF A BUSINESS PLAN

## What Should It Include ?

A complete business plan will include a Title Page, Table of Contents, Business Profile and Summary, as well as sections outlining the Marketing, Human Resources, Production, and Financial plans. Your business plan may look different from the examples used in this book. You should emphasize those sections which best reflect the nature of your business.

Every business plan should address the four basic strategies: marketing and sales strategy, human resource strategy, production strategy, and financial strategy. Each strategy is highly interrelated with the other strategies, and must be consistent with them.

### Marketing and sales strategy

A marketing and sales strategy addresses the critical issues of:

1. Who are or will be the target customers of the firm?
2. What products will the firm sell to them?
3. What will be the firm's policies regarding pricing, advertising and promotion, sales and distribution?

By developing a marketing strategy, a nursery will be able to prepare estimates of revenues and selling costs - but not production costs - for its products. There are several important analyses that underlie the development of a market strategy. These include:

1. Market trends.
2. Degree of competition for target customers and products.
3. Customers requirements - preferences, timing and volume.

This analysis should enable you to develop realistic estimates of what can be sold to whom, when, in what quantities and at what price, given what levels of promotion, sales and distribution effort.

The development of realistic estimates of sales and revenues is critical to the success of the entire business planning process, since sales tend to drive production.



## **Human resource strategy**

The human resource strategy addresses four critical issues:

1. The functions that must be performed, and who will be responsible for performing them.
2. The organization chart.
3. The compensation and benefits employees will be offered.
4. Labour and training goals.

Once again there are important analyses that underlie the development of this strategy:

1. Evaluation of management attitudes towards treatment, compensation and motivation of employees.
2. Historic strengths and weaknesses in the structure, organization and management of the nursery.
3. Availability and cost of required staff.

## **Production strategy**

A production strategy addresses the critical issues of:

1. The production system and technologies you intend to use.
2. The requirements for materials, equipment and facilities - size and location.
3. The production schedule required to support the sales goals.

The production strategy answers the question: What will it cost to produce the level of product required to achieve the sales goals?

As with the marketing and sales strategy, there are several important analyses that underlie the development of a production strategy.

These analyses include:

1. Identification of both the fixed and variable production costs for each product.
2. Evaluation of lead times for acquiring seedlings and materials.
3. Evaluation of production yields and quality.

These analyses are important to ensure a meshing between the sales objectives and the production capability of the nursery. If sales goals exceed productive capacity, the goals must be adjusted down, or additional investments made to increase production. If revenues do not cover production and operating costs, then either sales or revenues must be increased, or production costs cut back.

Consequently, reconciling the marketing and production strategies may require repeated analyses.

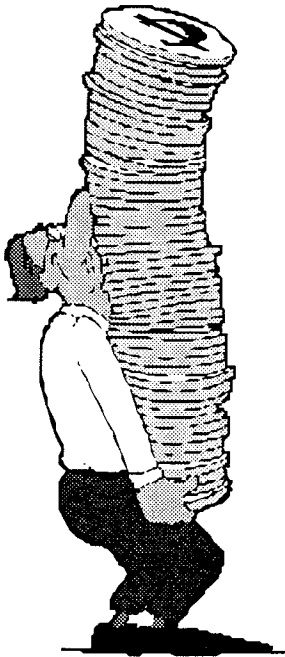
## **Financial strategy**

The financial strategy is a reality test for the other strategies in the business plan. It answers such questions as:

1. Does the planned level of operations generate sufficient profits to make the venture worthwhile?
2. Does the business generate adequate cash flow to sustain operations?

As with the other strategies, a number of analyses underlie the development of a financial strategy. These analyses include:

1. Historic information regarding timing of receipts and payments - i.e. cash-flow.
2. Historic performance of the nursery on key financial indicators.
3. Value and current usefulness of assets.
4. Cost and availability of funds from external sources.



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# **BUSINESS PLAN FORMAT**

- I Title page
  - A. Name of nursery
  - B. Time period covered by plan
  - C. Date of preparation
- II Table of contents
- III Business profile and summary
  - A. The firm and its environment
  - B. Current position and outlook
  - C. Goals
  - D. Strategies
- IV Marketing plan
  - A. Industry and market trends
  - B. Customer analysis
  - C. Monthly sales and revenue goals
  - D. Setting prices
  - E. Marketing and sales expenses
- V Human resource plan
  - A. Staffing structure
  - B. Compensation
  - C. Training and development
- VI Production plan
  - A. Production schedule
  - B. Production costs
  - C. Facilities
  - D. Capital expenditures
- VII Financial plan
  - A. Financial statements
  - B. Loan summary and financial performance indicators
- VIII Long-range plan

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## TITLE PAGE

The title page helps your business plan look professional. Remember that first impressions are very important, especially to lenders, who see many plans. The title page should state the name of the nursery, the time period covered or addressed by the plan, and the date of final preparation of the document.

Business Plan for 199-, 199-, 199-

to

Operate and Expand

Smith Nursery

Prepared by: John Smith

Date: March 199-

Mailing Address: 2000 Bloomingdale Road  
Abbotsford, B.C.  
V1V 0B0

Phone: (604) xxx - xxxx

# TABLE OF CONTENTS

A table of contents follows the title page, identifying each major section of the plan and the page number on which that section begins. If appropriate a brief list of exhibits should also be included in the table of contents.

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# **BUSINESS PROFILE AND SUMMARY**

In general the business profile and summary presents an overview of the nursery and the highlights of the completed business plan. Specifically, the summary should include the following sections:

- The firm and its environment: A brief description of the nursery, its purpose in the marketplace (in terms of the products it is providing for whom), its general product lines, and the factors that affect its operation and success.
- Current position and outlook: An assessment of the nursery's current market position and its potential for growth and improvement. This section should be a condensed description of the results of a situational analysis. The description should address the nursery's strengths and weaknesses and the perceived outlook in terms of threats and opportunities.
- Goals: A list and brief explanation of the improvement goals and objectives that the nursery has established for the period covered by the plan.
- Strategies: Brief descriptions of the major thrusts and improvement actions to be taken in each of the components of the plan - marketing and sales, human resource, production, and finance.

The purpose of the business profile and summary is to present highlights and a brief, but informative, overview of what the nursery is and where it is going.

# BUSINESS PROFILE AND SUMMARY EXAMPLE

## Purpose of the Plan

This plan outlines the proposal to automate and expand the current nursery business to include production of broadleaved evergreens, in particular #1 pot azaleas. The intention is to purchase an automatic potting machine and to build state-of-the-art greenhouses to overwinter the plants.

## The Firm and Its Environment

This 10-acre nursery has been in operation for 12 years. During this time, there has never been a coherent marketing or production strategy. This plan is designed to remedy that situation. Over most of the years of operation, the nursery has marketed approximately 50% of its products in Ontario, 25% on the Prairies and the remainder in the local market. The recession and stronger competition from local Ontario growers has eroded the Ontario market. Sales to the Prairies have remained static and there seems little room for growth. The nursery grows a wide variety of trees, shrubs, ground covers and some field stock. Very large nurseries operate in Oregon and California and ship large quantities into the local B.C. market. The quality of nursery stock, particularly azaleas, is good.

## Current Position and Outlook

This nursery sees the need to increase sales in the local market. As a result of a high exchange rate on the US dollar and of transportation costs, the price of azaleas being shipped in from US nurseries is higher than product which is produced locally. By moving into the azalea market with a high quality product, a strong local demand could be established.

## Goals

This nursery plans to purchase automated potting equipment with the intention of reducing labour costs and increasing production to 4,000 #1 pots per day from the current output of 3,200 pots per day. Also required is the construction of heated greenhouses to safely overwinter the azaleas. The greenhouses must be large enough to allow the azaleas to be properly spaced and must provide good ventilation. Production of other nursery products will remain at the current level. The goal for azalea production is the sale of 50,000 per year.

## Strategies

**Marketing:** Target the local market with good quality product and attractive labelling at competitive price.  
**Human Resources:** Reduce labour costs by purchasing automated potting equipment. Staff can be reduced to 6 people from the current potting crew of 8.  
**Production:** Target potting 4,000 #1 pots per day. Total annual production: 50,000 azaleas. Maintain current production levels of other products.  
**Financial:** Primary goal is to retire debt arising from term loans and line of credit used to finance operating costs.