



This is an example business plan. For a blank plan, which contains the user guide and glossary, go to www.bdc.ca

All text in red is a link.

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7 ANNEX: Financial Plan

Download this [Excel spreadsheet](#) for your company's financial performance, both historical and projected. Includes sales, cost of goods sold, expenses, income statement, balance sheet, cash flow budget, financial requirements, performance indicators, and personal status.



In this section, you give a brief description of your company and where it stands in the marketplace.

LEGAL NAME ▶	Doors to the World, Inc.	
TRADING NAME ▶	Doors to the World, Inc.	
BUSINESS ADDRESS ▶	2020 Sommerhill Drive Suite N° 203 New Barton, ON N20 1T1	
PHONE ▶	(519) 555-2020	FAX ▶ (519) 555-1010
E-MAIL ▶	info@doorstotheworld.com	

DESCRIPTION OF YOUR BUSINESS ▶ Doors to the World manufactures custom wooden doors and windows, primarily for residential construction. Doors (solid wood, wood/glass or wood/brass) account for 90% of gross sales while wood-frame windows account for 10%. Our products are sold to Southern Ontario retailers with an increasing portion going to exports. The company started by selling to the new home market in 1988 but in response to changes in the marketplace is now a leading supplier for the up-scale renovation market

MAJOR DEMOGRAPHIC, ECONOMIC, SOCIAL AND CULTURAL FACTORS ▶ Our products fit well into overall social and economic trends. Renovation investment has continued to increase as the population ages: people tend to stay more at home and invest in their comfort (cocooning). In addition, our market niche is fairly well protected against fluctuations in the real estate market: high-quality doors and windows add both resale value and comfort. In 2001, renovation and alterations accounted for 38.7% of household dollars and additions accounted for 24.7%. Further, the appeal of wood, a natural product, remains strong in today's markets. Its warmth, solid look and silky feel are intangible factors favouring our specialized products.

MAJOR PLAYERS (suppliers, distributors, clients) ▶ The manufacturing of custom wooden doors and windows is very concentrated, with a few manufacturers occupying 75% of the market.

However, the renovation and construction markets have traditionally been very fragmented, with a large number of small operators, both for clients and suppliers. There are three major distributors in Ontario: Beaver Lumber, Cashway and Castle Building, which together have more than 200 outlets. They purchase large quantities for their network.

Home renovation mega-stores (Home Depot, for example) have made steady progress into the market, especially in larger urban areas.

NATURE OF THE INDUSTRY ▶ The millwork industry is stable and mature. Manufacturers produce a wide range of fabricated millwork, including wood millwork commodities with metal and plastic overlays. Within the industry, in terms of value, doors (30%) represent the largest segment followed by windows (including wood, aluminum, metal and vinyl clad, 25%).

The niche market is significant, representing 25% of all sales.



TRENDS IN THE INDUSTRY ▶

While the millwork industry generally follows fluctuations in new home construction, repair and remodelling investment remains steady. The market for custom products such as those from Doors to the World tends to be better protected from fluctuations

GOVERNMENT REGULATIONS ▶

There are no significant regulations for this industry.

THE MARKET

MARKET SEGMENT ▶

The repair and remodelling segment has become the most important market for millwork products with a value of \$12.8 billion CAN (2001 Statistics Canada data) of which \$1.2 billion was spent on windows and door replacement and additions. Together, the provinces of British Columbia, Quebec and Ontario represent 87% of the Canadian total, and the U.S. market is approximately 10 times this value.

PRODUCTS & SERVICES ▶

Doors to the World provides superior quality custom-made doors and windows with unique glass carvings and brass inlays. Our products target the mid-to-high-end of the market.

In Canada, Doors to the World has competition for doors from small artisan door makers. In windows, competition comes from aluminum/vinyl clad and solid vinyl makers. With the advent of superstores, Doors to the World must compete for floor space and point-of-sale advertising.

PRICING AND DISTRIBUTION ▶

Compared to its competitors, our pricing is in the top 30% of the industry. Products are available through standard retailers in the industry and to superstore renovation outlets. Doors to the World delivers to the retailers' central warehouses, thus capitalizing on existing distribution channels. Marketing efforts are concentrated in Ontario, Quebec and New York State. Presently 30% of the company's sales are made to retailers in New York State.

MARKET TRENDS ▶

In 2001 (latest statistics available), 3 out of 4 households spent money on renovation; this percentage has been fairly constant since 1989. Customers have become increasingly sophisticated and seeking higher-quality materials and workmanship.

The demand for interior doors is expected to increase over the next five years as the renovation market continues to grow. Wooden doors in particular are forecast to see fast growth, especially in the U.S. where construction and renovation is becoming more upscale and houses larger.



IMPLICATIONS OR RISK FACTORS

- ▶ Doors to the World now relies more heavily on consumer purchases than sales to contractors, which has changed our marketing strategy. Doors to the World continues to rely on its basic strengths, which are:
 - ▶ superior quality products;
 - ▶ unique glass carvings and brass inlays.
 - ▶ excellent service;
 - ▶ customized "made to order" fit; and
 - ▶ access to distribution networks
 - ▶ price advantage compared with U.S. products

PLANNED RESPONSE

- ▶ Our marketing approach has shifted to address the mid to high-end customer with a concentration on large-surface retailers and export markets. We have increased retailers distribution, new point-of-sale displays, promotional literature, and customer satisfaction surveys.

The emphasis will be on our products' quality over mass-manufactured goods, and our focus remains on the renovation market. Our price advantage over U.S. products positions us extremely favourably for exporting, and the absence of significant competitors in other provinces makes can facilitate expansion there.

YOUR COMPETITION

COMPETITORS AND TYPE OF COMPETITION

- ▶ There are three major Canadian manufacturers serving approximately 75% of the doors and windows segment: Premdor, Hunt Windows and Doors, and Pella Windows. Several local operations make up the balance of the local marketplace with competition arising from artisan door makers.

COMPETITORS' STRENGTHS AND WEAKNESSES

- ▶ Major strengths of large competitors lie in the economies of scale given by their broad brush approach to the marketplace. The large size of these companies allows them better access to retailers across Canada

Both Hunt and Pella Windows concentrate their efforts in aluminum and vinyl windows, and are not positioned to enter the wood-framed market without significant investment and re-tooling. They also offer doors but only as an add-on to fill orders from their regular customers.

Premdor has decided to concentrate on the manufacture of plain interior doors but has also entered into an agreement with a U.S. company to distribute their French doors in the Canadian market. Although their doors are of lower quality and lack our unique glass carvings and brass inlays, they represent a significant threat to our products, especially in the superstore market.

Local artisans' products are most similar to ours, and while they generally have close relationships with architects and local builders, they are unable to supply the larger retailers because of their size and more specialized nature of their products.



COMPETITIVE ADVANTAGE ▶

Doors to the World's advantage resides in its niche: we are big enough to supply large retailers, yet offer high-quality wood products that respond directly to the tastes of the mid to high-end market segment. Even Premdor's higher quality products do not match our custom glass carvings and brass inlays, and the "one-size-fits-all" approach of the competition allows ample room for smaller specialized competitors such as Doors to the World to thrive. We intend to continue positioning our products in the higher end of the market.

In superstores, where our products are at the greatest disadvantage beside Premdor's, our point-of-sale marketing efforts ("Feel the Difference" series) have paid off and our sales remain strong.



If you are a start-up and do not yet have clients or suppliers, you should still contact potential clients and suppliers and include letters of intent and market research information to help show your sales potential.

CUSTOMERS ▶	NAME/ADDRESS	TERMS	PRODUCT/SERVICE
1	Otter Lumber 12312 Oak Road Woodstock, Ontario	60 days	General renovation & repair material
2	Cabin Depot Superstore 678 Shack Drive Boisjoly, Québec	90 days	General renovation & repair material
3	New England Builders 432 Elm Street Roxborough, NY	90 days	General renovation & repair material
4	Spearhead Builders 3210 United Way Jones, NY	30 days	General renovation & repair material

▼ ADDITIONAL INFORMATION

The purchasing decision for Doors to the World's products rests with the individual homeowner or the local renovation contractor. We have moved from supplying contractors; we now sell the products to retailers. This improves access to our customers, allows us to better assess and satisfy their needs, and allows us to compete easily in the superstore market.

SUPPLIERS ▶	NAME/ADDRESS	TERMS	PRODUCT/SERVICE
1	Sticks & Stones 321 Brampton Cres. Boulder, Ontario	60 days	Pre-cut lumber
2	MacMillan Bloedel 72 Clearcut Way Mississauga, Ontario	45 days	Pre-cut lumber
3	Glass Houses, Inc. 20302 Stonestrow Drive Toronto, Ontario	30 days	Glass inlays
4	Hollander Co. 193 Golden Rd Coquitlam, B.C.	30 days	Brass inlays
5	The Finish Line 1773 Oak Lane Ajax, Ontario	30 days	Wood stain

▼ ADDITIONAL INFORMATION

Doors to the World's production process uses primarily pre-cut, semi-finished components which are readily available on the market from numerous sources. This flexibility enables us to obtain products that meet our exact requirements at very competitive prices.



ADVERTISING AND PROMOTION

▶ Communications efforts consist mainly of co-op flyers, retail point of sales signage and displays, product brochures and word of mouth. Direct-to-customer advertising is rare in this industry, and aside from customer satisfaction surveys, none is planned.

PRICING AND DISTRIBUTION

▶ Doors (French and panel) are sold to three Canadian retailers as well as to two regional U.S. retailers in New York State. Thus we take advantage of their distribution channels by delivering larger quantities to central warehouses. Pricing is in the top third of the market.

CUSTOMER SERVICE POLICY

▶ Customer service is enhanced by a website and 1-800 inquiry line, quarterly meetings with main distributors, and unique product packaging which includes customer feedback surveys.



In this section, describe the physical aspect of your business operations: your location, current and future capacity, lease details, your equipment and technological requirements, and any environmental or other regulations that apply.

LOCATION ▶ Doors to the World operates out of a stand-alone plant, built in 1980 in Milton, Ontario.

▼ SIZE AND CAPACITY

The 6,000 square foot building houses two production lines: doors and windows. Only 10% of the building is used as office space. We are planning to add a 4,000 square foot addition to this building for which we already have a municipal permit.

▼ ADVANTAGES OR DISADVANTAGES

The facilities are conveniently located close to the central warehousing of the Canadian retailers. However, with the change in market focus to consumers and retailers, the building lacks display/sales space. The planned addition would allow us to almost double our plant facilities to meet increased production.

▼ LEASE OR OWNERSHIP DETAILS

Building was purchased by the company in 1987 for \$287,000.

EQUIPMENT, FURNITURE AND FIXTURES ▶ Wood finishing and glass etching machinery is used but most of the equipment is for the assembly process (routers, lathes, etc). The average age of the equipment is approximately 12 years, which is perfectly acceptable. We outsource computer-assisted design for glass etchings.

FUTURE EXPENDITURES / TECHNOLOGY REQUIREMENTS ▶ While functional for today's sales levels, new equipment will be required to incorporate the company's growth. \$50,000 has been earmarked for equipment expansion to add a new production line to the plant.

RESEARCH AND DEVELOPMENT ▶ Our R & D efforts have centered on market studies and consumers, determining changes in their tastes and buying habits and responding to them.

ENVIRONMENTAL COMPLIANCE ▶ Most of our activities consist of assembly work. Only the staining process is subject to environmental regulations, where we fully comply with used material disposal regulations. We have instigated a strict recycling program with a local waste management company.

ADDITIONAL INFORMATION ▶ There is an underground storage tank on the premises that was used to store fuel by the previous owners of the building. This tank is empty and has never been used by Doors to the World.



i This section details your human resources plan: key staff, policies & procedures. If your business is expanding, indicate what future resources will be needed.

KEY EMPLOYEES	NAME OR TITLE (N° OF POSITIONS)	KEY RESPONSIBILITIES	QUALIFICATIONS
1	Assembler (4)	Cutting, sanding, glass insertion, carving	Machine operations, reliability
2	General maintenance & receiver/shipper (1)	Reception & shipping, repairs	Low skills, reliability
3	Production Manager (1)	Floor manager + assistant for more complex processes	Technical knowledge, people & process management
4	Office assistant (1)	Administration, book-keeping, support	Office / organizational skills

▼ ADDITIONAL INFORMATION

The company plans to add another full-time assembler and a part-time draftsman with computer skills for CAD as a direct result of the expansion plan.

POLICIES & PROCEDURES

HOURS OF OPERATIONS	▶ 8AM-5PM, usually 5 days/week, sometimes 6
NUMBER OF EMPLOYEES	▶ 7 full-time and 2 principals
VACATION PROGRAM	▶ Each employee has a 2-week vacation yearly. Plant is closed 1 week at Christmas.
PERFORMANCE ASSESSMENT	▶ Performance assessment is done yearly in mid-January. Productivity and quality are our two main criteria.
TRAINING AND DEVELOPMENT	▶ Presently most of the company's training is done in-house with plant employees. Management employees are presently undergoing total quality management training. ISO 9000 certification and more training is planned as a response to increased customer pressure for assured quality control.
REMUNERATION AND BENEFITS	▶ Benefits and salaries are comparable to those in the industry and overtime hours are sometimes required. A profit sharing incentive plan is planned for the future.



This section details the future action the business plans to take, usually over the next 2 to 3 years.

ACTION PLAN ▶	ACTION	BY WHEN
	1 Develop sales support material for the trade	March 2004
	2 Ensure participation at National Home & Renovation Show	September 2004 + following months
	3 Hire draftsman with creative skills	June 2004
	4 Sign retail agreements with 3 major retailers	Fall 2004
	5 Implement ISO 9000 standards & make it known to clients, etc.	March 2006
	6 Sign distribution agreement & negotiate shipping for the States	April 2005
	7 Measure potential & test entry strategy in B.C. & Eastern Quebec	If potential, March 2005

▼ ADDITIONAL INFORMATION

For the coming 2-3 years, all our major activities involve market development or product launching.



In this section, you provide a summary of the reasons you are seeking financing, together with a summary of your business operations.

OBJECTIVES /
DESCRIPTION OF THE
PROJECT

▶ Our general goal over the next 5 years is to increase sales, primarily in the export market (New England) and in other provinces (Eastern Quebec & British Columbia). The ultimate goal is to achieve 50% of gross sales from exports while developing domestic sales.

BUSINESS HISTORY /
NATURE OF OPERATIONS

▶ The business started operations in 1987 as a partnership, owned by two brothers (Jonathan and David Wright). At the start, the company made wooden doors and windows for the local new home market, and customers consisted of local residential construction companies. After having received several requests for custom made french doors, we decided to allocate further resources to meet this demand. As this market grew and conditions in the new home market deteriorated, this segment became the major part of operations, now accounting for 90% of sales.

PRODUCTS AND
SERVICES

▶ Doors to the World manufactures custom wooden doors and windows for the residential construction and remodelling industry. Our windows and doors are inlaid with fine glass etchings and brass inlays and target the mid to high-end segment of the market.

PROJECT
FINANCING

▶ Construct building addition	\$250,000
Purchase new equipment	<u>50,000</u>
Total required	<u>\$300,000</u>

MANAGEMENT /
ADVISORS

▶ **Jonathan Wright, President (70% ownership)**

41 years old. Over 20 years' experience with the construction industry, 12 as an independent contractor. Main responsibilities: marketing, business planning & financial operations.

David Wright, Corporate Secretary (30% ownership)

38 yrs. BA Univ. of Western Ontario, plus 11 years' experience with building supplies firms. Main responsibilities: production scheduling, purchasing, sales invoicing & office management.

RISK ASSESSMENT AND
CONTINGENCY PLAN

▶ We plan to finance our expansion in the US although alliances with local partners will be sought if necessary.

We have already begun talks with distributors in the US, but if sales targets are not met, our option is to sell back the proposed equipment to the supplier so that we can meet the loss that will be incurred. The building addition adds value to our property.



FINANCIAL
INSTITUTION

Name: Royal Bank
Branch: Milton
Transit Number: 023 98765 110

Address: 1999 Main St.
City: Milton
Province: Ontario
Postal Code: N7M 4J2
Telephone : 618-555-4000
Fax : 618-555-4020
Name & Title of Contact : Doug William, Branch Manager

SUPPORTING
DOCUMENTS

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This business plan was prepared by Ms. Elaine Struthers, Management Consultant



APPENDIX

FINANCIAL PLAN