



# Business Plan Workbook

## Contents

<b>INTRODUCTION OF THE ONTARIO CO-OPERATIVE ASSOCIATION</b>	2
<b>INTRODUCTION TO CO-OPERATIVES</b>	3
<b>MAKE CO-OPERATIVES WORK</b>	5
<b>DIFFERENT TYPES OF CO-OPERATIVES</b>	7
<b>REASONS FOR STARTING A CO-OPERATIVE</b>	8
<b>BUSINESS DESCRIPTION</b>	10
<b>EXECUTIVE SUMMARY</b>	11
<b>COMPANY DESCRIPTION</b>	13
<b>MARKETING PLAN</b>	15
<b>OPERATIONS PLAN</b>	23
<b>HUMAN RESOURCES PLAN</b>	26
<b>MEMBERSHIP STRUCTURE</b>	28
<b>THE CO-OPERATIVE PRINCIPLES</b>	29

### LEAD, CULTIVATE AND CONNECT

Co-operatives are a *different* kind of business model that are driven by people, planet and profit. The Ontario Co-operative Association (OCA) supports, develops, educates and advocates for Ontario's 1,500+ co-operative businesses.



## INTRODUCTION OF THE ONTARIO CO-OPERATIVE ASSOCIATION

Co-operatives are a *different* kind of business model that are driven by people, planet and profit. The Ontario Co-operative Association (OCA) supports, develops, educates and advocates for Ontario's 1,500+ co-operative businesses.

By promoting and raising awareness of co-operatives in the province as well as supporting their development, OCA helps to improve the lives of Ontarians. Co-operatives enable people to set up the products and services that they need, provide jobs, and contribute to the social and economic well-being of the communities in which they reside, thereby providing a better standard of living overall. We believe in and exist to help BUILD A BETTER ONTARIO. Our membership is comprised of like-minded organizations whose support provides us with the resources to develop and strengthen the co-operative community.

### Our Mission, Vision & Values

Our **mission** is to develop, support, educate and advocate for Ontario's 1,500+ co-operative businesses.

Our **vision** is an Ontario where co-operatives contribute to the sustainable growth and development of our communities, and to the overall social, economic and environmental well-being of the province. We believe that co-operatives, together, build a better world.

Our core **values** are based on the relationships that we cultivate and the community that we serve. Our community is broadly based and includes our members, board directors, staff, partners, stakeholders, volunteers, affiliates, as well as government funding agencies and other national co-operative support organizations. We are highly committed to the values of people and community, education and innovation, collaboration and sustainability, and professional service.

### Our Mandate is to be...

1. The **Voice of co-operatives** in Ontario, which we accomplish through our **Government Relations** and **Public Relations** work and through engagement with our **Membership**.
2. The **Advocate of the co-operative Principles**, which we accomplish through **Co-operative Education** programs as well as our internal member **Communications and Member Support Tools**.
3. The **Facilitator of co-operative solutions**, which we accomplish through our **Co-operative Development** support services, sector-specific **Research** and by **Connecting Co-operatives**.

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## INTRODUCTION TO CO-OPERATIVES

### What are co-operatives?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Co-operative Principles

The co-operative principles are guidelines by which co-operatives set their values into practice.

1. **Voluntary and Open Membership:**  
Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **Democratic Member Control:**  
Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
3. **Member Economic Participation:**  
Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
4. **Autonomy and Independence:**  
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organization, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
5. **Education, Training and Information:**  
Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform

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the general public about the nature and benefits of co-operation.

6. Co-operation among Co-operatives:

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community:

Co-operatives work for the sustainable development of their communities through policies approved by their members.

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## MAKE CO-OPERATIVES WORK

### Members make co-operatives work by:

- Electing directors to oversee management and give direction to the co-operative
- Attending meetings and other co-operative activities
- Voting on significant actions affecting their co-operative
- Formulating and approving overall objectives and policies
- Approving and amending articles, by-laws and major policies
- Providing capital to the co-operative, in proportion to use, through investment and deferred patronage dividends
- Communicating complaints, suggestions and needs to management and the board
- Encouraging support and involvement of members
- Encouraging and supporting the development of other co-operatives

### Role of Co-operative Directors

- Direct the business affairs of the co-operative
- Listen to, inform and advise members and the manager
- Place the co-operative first
- Take time for meetings, keeping informed
- Participate in decision-making by asking discerning questions
- Understand the division of responsibilities between the board and manager
- Originate and approves policies
- Hire the manager, direct the manager and appraise the manager's performance
- Annually self-evaluate the performance of themselves and the board

### Role of Co-operative Managers

- Represent the co-operative to the community by participating in community activities
- Represent the co-operative at meetings of co-operatives
- Report to members through transactions, special events and member meetings
- Provide information to members as customers, owners and shareholders Implement board policies
- Advise the board on strategy, finances, operations, new technology, government affairs, policy changes, new products and regulatory changes
- Manage daily operations
- Hire staff, provide direction and leadership and motivate staff
- Set goals and lay out plans to reach these goals
- Report to the board (usually monthly) on operations, finances, accounts receivable and proposals

### Role of Co-operative Employees

- Positively represent the co-operative to customers and members

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- Understand the co-operative's unique structure and principles
- Know how to answer ownership questions from members appropriately
- Keep informed on current co-operative information
- Follow co-operative policies and rules
- Avoid evaluating policy or rules to members and customers
- Respect all customers and treat them fairly
- Become well-trained so they can recommend the right products Is a team player and knows the goals of their co-operative

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## DIFFERENT TYPES OF CO-OPERATIVES

1. **Producer Co-operatives:**  
Established to process or market goods or services produced by the members of the co-operative or to purchase inputs to the production process. In Canada, producer co-operatives are very strong in the agricultural sector, particularly with grain, dairy, poultry and fruit growers.
2. **Consumer Co-operatives:**  
Created by members to acquire goods or services, such as groceries, clothing, vehicle fuel, natural gas, electricity, or water, for use by members. The most successful example of a consumer co-operative in Canada is Mountain Equipment Co-op (MEC) which sells outdoor clothing and equipment in stores across the country.
3. **Worker Co-operatives:**  
Created by workers to provide or preserve their employment and to control the terms and conditions of their work by operating the enterprise. This type of co-operative is found in all sectors of the Canadian economy, including industrial fields like forestry, construction and manufacturing, as well as fields such as theatre and nursing care services.
4. **Social Co-operatives:**  
These provide social care services to communities or to groups of people who may be particularly vulnerable or have special needs. These can include health services, services for the elderly, services for at risk youth, services to people with disabilities, etc. Members of social co-operatives may be care givers, the users of the co-operatives' services or both.
5. **Financial Co-operatives:**  
These businesses offer credit, investment, insurance and related financial services to members. These are credit unions, caisses populaire, caisses d'économie and insurance co-operatives. Libro Credit Union and The Co-operators insurance company are well known examples.
6. **Multi-stakeholder Co-operatives:**  
Co-operatives of this type have members of different categories, for example, workers, receivers of service and investors, all of whom share an interest in the enterprise. Some multi-stakeholder co-operatives have been established to deliver health, home care and community services.

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## REASONS FOR STARTING A CO-OPERATIVE

Regardless of the type, size, geographical location or purpose, all co-operatives provide at least one of the following:

1. **Improve bargaining power when dealing with other businesses.** Combining the volume of several members leverages their position.
2. **Reduce costs.** Volume purchasing reduces the purchase price of needed supplies. Earnings of the co-operative returned to individual members lowers their net cost
3. **Obtain products or services otherwise unavailable.** Services or products that would not attract private business are often supplied by co-operatives.
4. **Obtain market access or broaden market opportunities.** Value added to products by processing, and offering larger quantities of an assured type and quality, attracts more buyers.
5. **Improve product or service quality.** Value added to their products, competition and improved facilities and equipment increases member satisfaction.
6. **Increase income.** Distribution of the co-operative's earnings boosts the income of the members.

### Before Starting this Workbook

The first key to success is to identify individuals with like needs who want to explore the feasibility of forming a co-operative business.

The original groups are usually potential users of the co-operative. They often have leadership and organizational skills. They organize information meetings with other potential users and discuss how the co-operative could meet identified needs, operational practices, advantages and disadvantages of the co-operative business structure, member investment requirements, financial requirements and member commitment needed.

Outside advisors experienced with co-operatives may save the group from making expensive mistakes and losing valuable time. Contact the Ontario Co-operative Association for further information and assistance for your group.

**Step 1:** Form a group of potential members and select a steering committee that will complete the business planning exercises

**Step 2:** Complete the Co-operative Self Assessment document

**Step 3:** Complete the Co-operative Feasibility document

Now you are ready for this document, the Business Plan Workbook.

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## THE BUSINESS PLAN

### Introduction

A business plan is a concise, but comprehensive, description of your business. It is a written summary of the overall activities of the enterprise. It is a detailed report on your co-operative's products and production techniques, its markets and marketing strategy, its management and members, its sources and uses of funds and its financing needs. It should not be more than thirty pages in length.

The business plan should highlight in some detail the past, present and future of your enterprise. When well-conceived and well prepared, the business plan becomes a blueprint for financing. Further, it is a crucial component in any application for funding, whether through a credit union or any other investment or lending source. Therefore, it should be complete, well organized and factual.

By its nature, the business plan is also a valuable management tool which forces you to plan and allows you to monitor and assess your co-operative's progress. Since it compels you to think ahead, it helps you to focus on future growth, to anticipate and deal with any changes as and when they occur and to chart the most suitable course for your business.

It should be a statement of the mission of the enterprise which will serve as a concise testament that management understands, and can focus on, the principle purpose and objectives of the business.

A business plan prepared with the information requirements of a credit union or other substantial outside lenders in mind will greatly enhance your chances of obtaining the financing your operation needs. This booklet is designed to assist in preparing an effectual business plan for the co-operative enterprise.

### Why a Business Plan?

The business plan is not only one of the most important elements in a presentation to government or lenders; it is also a focal point for organizing the extra management effort. It is therefore indispensable.

The business plan forces management to think ahead and balance future plans. For example, if you forecast a 50 percent annual growth in sales, then the plan must identify the source of the working capital available to support this growth. The business plan must provide assurance that your plant facilities can, or can be expected to; handle the increase in volume, and that adequate labour and new material will be available at the production level. In short, you will be forced to blend general forecasts with a specific plan that balances all inputs; capital, materials, labour, and production capacity.

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**BUSINESS DESCRIPTION**

Name:

Address:

Phone number:

Website URL:

Email Address:

Date of incorporation:

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## EXECUTIVE SUMMARY

The Executive Summary is the most important part of your business plan. Numerous business plans are submitted to lender capitals every working day. Not all of those plans are reviewed in depth. It should convey your enthusiasm for your business idea and get readers excited about it too.

**Write your Executive Summary LAST**, after you have completed the rest of the business plan. That way you'll have thought through all of the elements of your co-operative business and be prepared to summarize them.

The Executive Summary should briefly explain each of the elements below:

1. **An overview of your business idea** (one or two sentences) outlined in the form of a mission statement
2. **A description of your product and/or service.** What problems are you solving for your community? What are the distinguishing features of your product offering?
3. **Your goals for the business.** Where do you expect the business to be in one year, three years, five years?
4. **Your proposed target market.** Who are your ideal customers? What is the market potential for your co-operative?
5. **Your competition and what differentiates your business.** Who are you up against and what unique selling proposition will help you succeed?
6. **Your management team and board team and their prior experience.** What do they bring to the table that will give your business a competitive edge? What is your governance strategy?
7. **Financial outlook for the business.** Projected financial results. How much money you require and for what purpose. The anticipated return on investment and when investors may expect such return.

Limit your Executive Summary to one or two pages in total.

After reading the Executive Summary, readers should have a basic understanding of your business, should be excited about its potential and should be interested enough to read further.

**After you have created your business plan, come back to this section and write your Executive Summary on the next page.**

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**EXECUTIVE SUMMARY**

(Write after you have completed the rest of the business plan)

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## COMPANY DESCRIPTION

### Company Mission Statement:

*A mission statement is a brief explanation of your company's reason for being. It can be as short as a marketing tagline (CleanApp is an app that helps households manage their personal cleaning needs in a fun and convenient way) or more involved (co-op example). In general, it is best to keep your mission statement to one or two sentences.*

### Company Philosophy and Vision:

*What values does your business live by? How will you incorporate the co-operative values into your business? Vision refers to the long-term outlook for your business. What do you ultimately want it to become?*

### Company Goals:

*Specify your long and short term goals as well as any milestones or benchmarks you will use to measure your progress.*

### Target Market:

*You will cover this in-depth in the Marketing Plan section. Here briefly explain who your target customers are.*

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**Industry:**

*Describe your industry and what makes your business competitive. Is the industry growing, mature or stable? What is the industry outlook long-term and short-term? How will your business take advantage of projected industry changes and trends? What might happen to your competitors and how will your business successfully compete?*

What type of co-operative model are you using?

*Are you developing a producer, consumer, worker, shared service, social, financial or multi-stakeholder co-operative? Is the business for profit or not-for-profit? With or without share capital?*

After reading the Company Description, the reader should have a basic understanding of your business's mission and vision, goals, target market, competitive landscape and legal structure.

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## MARKETING PLAN

After reading this section, the reader should have a clear understanding of what your business does, what problem it solves for customers and the unique selling proposition that makes it competitive.

Your company's products and/or services:

*What do you sell and how is it manufactured or provided? What inputs are needed to produce the product or service? How and when will supply be obtained or shipped? Include details of relationships with suppliers, manufacturers and/or partners that are essential to delivering the product or service to customers.*

The problem your product or service solves:

*Every business needs to solve a problem that its customers or the community faces. Explain what the problem is and how your product or service solves it. What are its benefits, features and unique selling proposition? Yours won't be the only solution but you need to explain why your solution is better than the others, targets the customer base your competitors are ignoring or has some other characteristic that gives it a competitive edge.*

Any proprietary features that give you a competitive advantage:

*Do you have a patent on your product or a patent pending? Do you have exclusive agreements with suppliers or vendors to sell a product or service that none of your competitors sell?*

How will you price your product or service?

*Describe the pricing, fee, subscription or leasing structure of your product or service. How does your product or service fit into the competitive landscaping in terms of pricing – are you on the low end, mid-range or high end? How will that pricing strategy help you attract customers? What is your projected profit margin?*

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Primary Market Research:

*Information you gather yourself. This could include going online or driving around town to identify competitors; interviewing or surveying people who fit the profile of your target customer; or doing traffic counts at a retail location you are considering.*

Secondary Market Research:

*Information gathered from sources such as trade organizations and journals, magazines and newspapers, census data and demographic profiles. You can find this information online, at libraries, from chambers of commerce, from vendors who sell to your industry or from government agencies.*

Provide information on:

The total size of your industry

Trends in the industry – is it growing or shrinking?

The total size of your target market, and what share is realistic for you to obtain?

Trends in the target market – is it growing or shrinking? How are customer needs or preferences changing?

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**Barriers to Entry:**

*What barriers to entry does your co-operative face and how do you plan to overcome them? Barriers to entry might include high start-up costs, high production costs, high marketing costs, finding qualified employees, need for specialized technology, etc.*

**Threats and Opportunities:**

*Once your co-operative surmounts the barriers to entry you mentioned, what additional threats might it face? Explain how changes in government regulations, technology, economy or your industry could affect your business.*

Include your SWOT analysis results here.

**Product/service features and benefits:**

*Describe all of your products or services, being sure to focus on the customer's point of view. For each product or service describe the most important features and benefits.*

*Also consider the after-sale services you plan to provide such as delivery, warranties or guarantees, service contracts, ongoing support, training, refunds, etc.*

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**Target Customer or Member:**

*Describe your target customer. How does the membership relationship work? You may have more than one target customer or member group. Create a demographic profile for each group that includes age, gender, location, income, occupation and education level. If your target customer is a business, include the industry, size, stage in business and annual sales. How large is each customer/member group?*

**Key competitors:**

*Every business has competition. This section should list the key companies that compete with you including names and locations, products that compete with yours and/or services that compete with yours. Do they compete across the board, or just for specific products, for certain customers or in certain geographic areas? Also include indirect competitors. For instance, if you are opening a restaurant that relies on consumers' discretionary spending, then bars and nightclubs are indirect competitors.*

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## Competitive Analysis Worksheet:

For each factor listed in the first column, assess whether you think it is a strength or a weakness (S or W) for your business and for your competitors. Then rank how important each factor is to your target customer on a scale of 1 – 5 (1 = very important, 5 = not very important). Use this information to explain your competitive advantages and disadvantages.

FACTOR	ME	COMPETITOR A	COMPETITOR B	COMPETITOR C	IMPORTANCE TO CUSTOMER
Products					
Price					
Quality					
Selection					
Service					
Reliability					
Stability					
Expertise					
Company reputation					
Location					
Appearance					
Sales Method					
Credit policies					
Advertising					
Image					

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**Positioning/Niche:**

*Now that you assessed your industry, product/service, customers and competition, you should have a clear understanding of your business's niche (your unique segment of the market) as well as your positioning (how you want to present your company to customers). Explain these in a short paragraph.*

**How you will market your product/service:**

*In this section, explain the marketing and advertising tactics you plan to use. Advertising may include online, print, radio, television, etc. Which media will you advertise in, why and how often? Marketing may include your business website, social media, email, mobile phone, search engine optimization, content marketing, print materials, public relations, trade shows, networking, word-of-mouth or referrals.*

What image do you want to project for your business brand?

What design elements will you use to market your business?

*This includes your logo, packaging, signage and interior design. Explain how they will support your brand. Do you need to trademark your logo? Will you need to hire an outside agency?*

How much do you plan to spend on the marketing and advertising outreach above?

*Consider the before start up timeline and the ongoing marketing budgetary needs. This will be included in your cash flow and budget worksheets.*

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**Pricing:**

*You explained pricing briefly in the Products and Services section, now it is time to go into more detail. How do you plan to set prices? Will you offer volume discounts or offers for new customers?*

*Keep in mind that few small businesses can compete on price without hurting their profit margins. Instead of offering the lowest price, consider an average price and competing on quality and service.*

*Does your pricing strategy reflect your positioning? Consider your prices with your competitors'. Are they higher, lower or the same? Why? How important is price to your customers? It may not be a deciding factor. What will your customer service and credit policies be?*

**Location:**

*If you have a location picked out, explain why you believe this is a good location for your co-operative. If you haven't chosen a location yet, explain what you will be looking for in a location and why, including convenience for your customers, parking, proximity to public transit or major roads, type of space (industrial, retail, etc.) and types of businesses nearby.*

*Focus on the location of your building, not the physical building itself. You will discuss that later in the Operations section.*

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Distribution Channels:

*What methods of distribution will you use to sell your products and/or services? These may include retail, direct sales, e-commerce, wholesale, inside sales force or outside sales representatives.*

*If you have any strategic partnerships or key distributor relationships that will be a factor in your success, explain here.*

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## OPERATIONS PLAN

### Production:

*How will you produce your product or deliver your service? Describe your production methods, the equipment you will use and how much it will cost to produce what you sell.*

### Quality Control:

*How will you maintain consistency? Describe the quality control procedures you will use.*

### Location:

*Where is your business located? Describe the size of your location, the type of building (retail, industrial, commercial, etc.), zoning restrictions, accessibility for customers, employees, suppliers and transportation, costs including rent, maintenance, utilities, insurance and any remodeling costs.*

### Legal Environment:

*What type of legal environment will your business operate in? How are you prepared to handle legal requirements? What licenses and/or permits are needed? What trademarks, copyrights or patents do you require? Do you have adequate insurance coverage? What environmental, health or workplace regulations affect your business? Are there special regulations affecting your industry? Is bonding required for employees?*

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## Inventory:

*What inventory will you keep on hand (raw materials, supplies, finished products)? What will be the average value of that inventory? What rate of inventory turnover do you expect and how does this compare to the industry average? Will you need more inventory than normal at certain times of year? What is your lead time for ordering inventory?*

## Suppliers:

	SUPPLIER A	SUPPLIER B	SUPPLIER C	SUPPLIER D
Name				
Contact information				
Credit and delivery policies				
History and reliability				
Supply shortage or delivery problems expected?				
Back up supplier for critical items				
Costs to hold steady or fluctuate				
Payment terms				

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Credit Policies:

*If you plan to sell to customers on credit explain whether it is typical for your industry, what the policy will be, how will you check customer credit, what terms will you offer, how much it will cost to offer credit and how you will handle slow paying customers.*

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## HUMAN RESOURCES PLAN

### Biographies:

*Include brief biographies of the board members and management team. Summarize key experience in a few short paragraphs per person. Focus on prior experience and skills that have prepared the team to succeed in this business. If anyone has previous experience starting and growing a co-operative, explain this in detail.*

### Gaps:

*Explain how you will fill in any gaps in management and/or experience.*

### Advisors:

*List the members of your professional/advisory support team including an attorney, accountant, insurance agent, consultants, banker and mentors and other advisors.*

### Personnel:

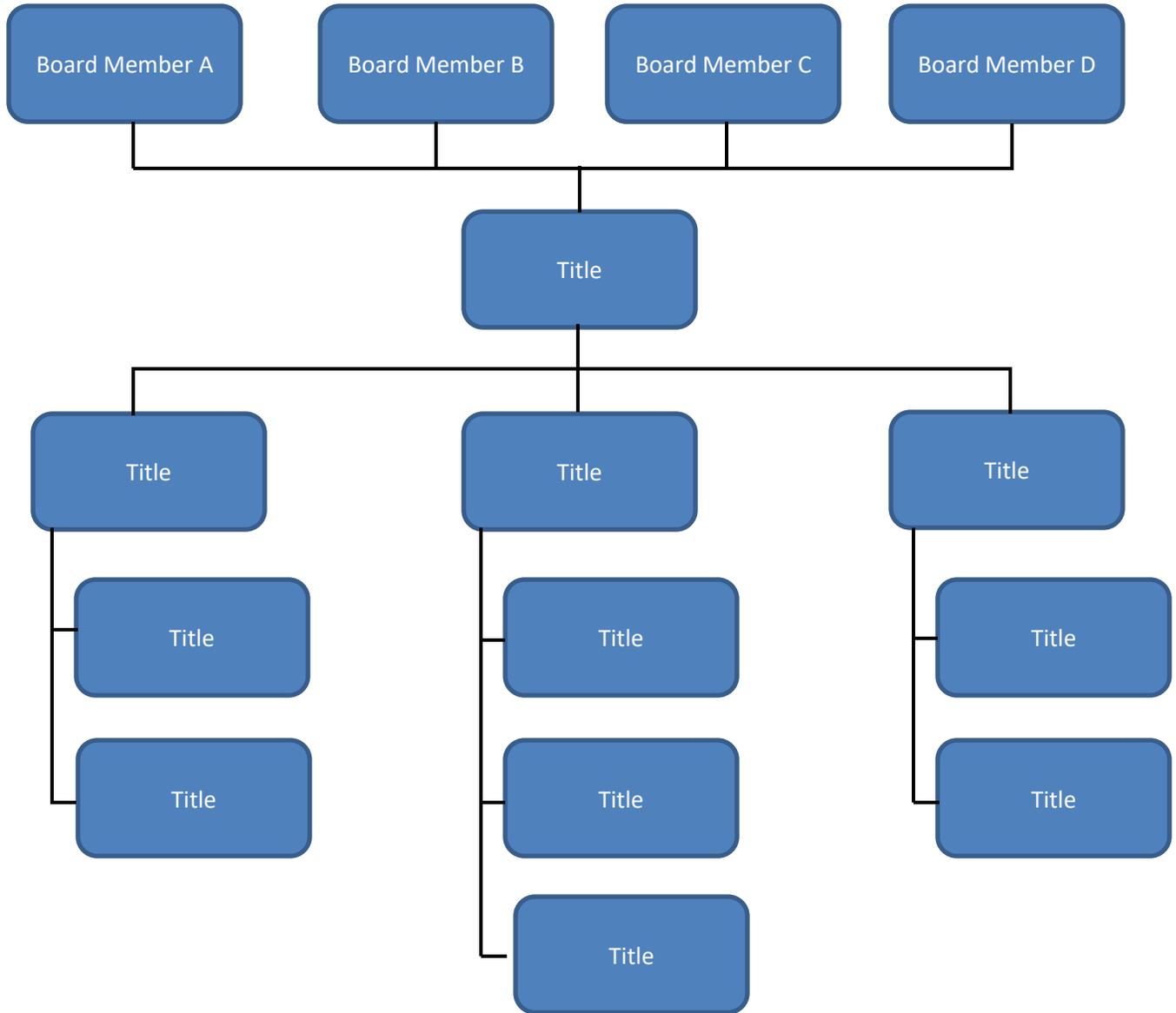
*What type of personnel will your business need? Types of employees, licensing or educational requirements, number of employees needed, whether you intend to hire freelancers or contractors, pay structure, where you will find qualified team members and the type of training required. For key personnel, include job descriptions.*

### LEAD, CULTIVATE AND CONNECT

Co-operatives are a *different* kind of business model that are driven by people, planet and profit. The Ontario Co-operative Association (OCA) supports, develops, educates and advocates for Ontario's 1,500+ co-operative businesses.

**Organizational Chart:**

*Develop and include an organizational chart. This should include both roles that you have already filled and roles you plan to fill in the future for the successful startup of the co-operative.*



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## MEMBERSHIP STRUCTURE

### Level of Member Commitment:

*What is each members' motivation for forming the co-operative? How much time is each member willing to commit? How much equity is each member willing to commit? Are they sold on the idea of working together? Prepare a statement on member commitment.*

### Distribution of Surplus:

*Surplus earnings are monies left over after all wages, taxes and other expenses are paid. This money can be used for investment in the co-operative, general reserves, community development and support or member patronage. Describe your policy.*

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## THE CO-OPERATIVE PRINCIPLES

Under each principle, detail the ways you will ensure the principle will be followed in the governance structure, co-operative policies and day-to-day operations of the business.

1. Voluntary and open membership
  
2. Democratic member control
  
3. Member economic participation
  
4. Autonomy and independence
  
5. Education, training and information
  
6. Co-operation among co-operatives
  
7. Concern for community

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