



HOW TO WRITE A STARTUP BUSINESS PLAN

Why Do I Need A Business Plan? Why do you need to write a business plan? There are a number of reasons. Writing a plan dramatically increases your chances of success as an entrepreneur. Here are just a few reasons why you would want to write a business plan. 1. Evaluating initial startup costs. 2. Determining what it will take to make a profit. 3. Analyzing your competition and it's success and failures (which you can capitalize on) 4. Well defined rolls of all people involved in the company. 5. Investigating your market and developing a strategy. 6. Anticipating problems before they occur. 7. Defining a clear goal and exit strategy for your business. 8. Convincing investors to fund your business Some may scoff at all of the parts of a business plan, but remember that you are undertaking this endeavor to make money, not to just produce a product or service. Most businesses fail because they are hit by unforeseen expenses -- or situations -- that they should have anticipated ahead of times. To give yourself the best chance of success, do your homework ahead of time and you'll be way ahead of most people. Plan Your Work, Work Your Plan A business plan is not a document set in stone and you will probably change it in the future as your business develops. When you are stuck on an issue refer back to your business plan and remember what your initial goals were and whether the situation has changed significantly enough that the plan needs to be reworked. Planning your work is when you write your plan, but you can't just stop there. You must work the plan and stick to it as you move forward in order to meet your exit strategy or other goals for the company. Step 1: Defining Your Product Or Service The first step to writing your business plan is defining exactly what your product or service is. This is what you will approach a potential customer with. How would you explain your product or service to a potential client? What would you tell them about it? How would your product or service relate to other businesses? Describing your product or service should fit within 1 paragraph with supporting paragraphs underneath it. Most people, when dealing with something innovative or something that is identical to a competitor, try to cop out of this and say "it's just too complex for my product to be described". That's hogwash. Every product or service can be defined. If your product or service is so innovative that it can't be defined then the chance of it succeeding is very low. Here are a few examples. * Google was simply "a better search engine that works" * Apple was simply "a computer that can fit on a desk" * Microsoft was "an operating system that can be mass distributed" * Amazon.com was "a mail order bookstore with an online front end" Describing your product is not a hard thing to do. Implementing a strategy to sell, distribute or market your product in the long run has the most impact on whether your business will succeed. Step 2: Who Are Your Customers? Defining your target market may be a little difficult if you think your product can be used by anyone, but it can be done. Simply putting "everyone on Earth" is not a practical target market. Whether your product or service can be used by everyone is not the key, it's who can afford and needs your product. Is it small businesses? Does it fit the consumer market that cooks a lot? Is it Internet users who are looking for dolls? Defining your exact target market is key to setting up a proper marketing strategy. Without knowing who your potential customers are you will be casting your line into a vast ocean rather than a stocked pond. Another part of this is determining if your target market can afford your product and will they purchase it from you. If your product can only be used by boys age 14-18 and the price of your product is \$1000 your market will probably be very small. This is all part of the plan, don't be discouraged if you find that upon doing research your product or service doesn't make sense. It's better to evaluate things now and scrap the whole thing than to accept money from investors and finding out later that your business doesn't stand a chance. Step 3: Market Strategy Who is your competition? How will you reach your target customer or client? These are all questions that need to be defined. Find two or three competitors and evaluate them. Where are they successful? Where is their main revenue coming from? What things have they tried and failed? What things do they lack that you will provide? Analyzing the competitive landscape is an important part of determining if you can succeed. You may even realize other areas that your product or service needs to focus on to have a chance of succeeding. How are you going to reach your customer? Will it be through catalogs? Advertising in the local paper? Word of Mouth? Direct sales? Investigate the costs of implementing a strategy of reaching your customer and client base. If you are selling a product how much will it cost to get your products on shelves or to set up a e-commerce website? What are the costs involved to place advertisements? Simply having a product or service and not having people even knowing that it exists is a certain road to failure from the start. Step 4: Financing And Capital What are your initial expenses for starting your business? You need to analyze all costs for beginning your business and how much capital you will need to keep the business running. If there is payroll involved you will need to factor in payroll taxes as well as salaries. You need to know how much in legal costs you will incur incorporating and for lawyer and accounting services. If you are providing a product what is the cost of having it produced and an inventory for it? Letterheads, logo's, business equipment, software and business cards all fit in this category. There is no hard and fast rule for how much capital you will initially need in terms of months in advance. Most businesses underestimate how much initial expenses and ongoing monthly expenses they have. How will you fulfill orders? If via mail you will need to factor in packaging and shipping expenses. If you are stocking a store with your item you will need to factor in delivery charges and expenses. Once you have determined both your ongoing monthly expenses and initial expenses then you can evaluate how much initial capital you will need and where you intend to get it. Will your financing come in the form of angel investors, venture capital, self financed or friends and family? Securing this financing could have expenses you have not counted on, be sure to include these expenses as well. Step 5: Operations You need to define the operations of your business and how your product or service will reach a customer from development all the way to end user. If you are providing a product you will need to define the whole flow. Here's a few questions for a product based company. How will the product be produced? How will it be stored? How will it be delivered? How will customers place an order? How will an order be processed? How will a customer get a receipt? Where will fulfillment take place? How will money change hands? When will the customer receive their product? How will customer service be handled? For a service based company most of the above questions have their equivalent. These questions need to be answered. It shows that you have thought ahead on how your business will operate. Step 6: Putting It All Together Once you have analyzed your product, your customers, your competition, market strategy and financing it's time to put it all together in a document known as a business plan. There is no single format for writing a business plan. The best way to write a business plan is to study business plans. You can find some business plans on the web to study. Here is a basic overview of the things you should provide in a business plan. 1. Cover Sheet 2. Statement of Purpose I. Part 1: Business Analysis a. Description of the Business b. Marketing Strategy c. Competitive Landscape d. Operating Flow e. Management and Personnel f. Exit Strategy g. Insurance Information II. Part 2: Financial Information a. Equipment, Supply List and Assets b. Balance Sheet c. Break-even Analysis d. Pro-forma Projections Including i. 3 year summary ii. Detailed projection by month of the first year iii. Detailed quarterly projects for year 2 and 3 iv. Assumptions or how you reached your projections e. Pro-forma Cash Flow III. Part 3: Supporting Documentation a. Tax returns of the principals involved in the business for the last 3 years b. Franchise contracts, proposed leases and purchase agreements c. Any licenses or legal documents the business needs d. Resumes of all the principals involved in the business e. Letters of intent from suppliers and other services Remember that not all of these things need to be included right off the bat. If you are not going to have proposed leases at this time while you are starting your plan, it can go on your task list of things to do. The most important part is getting started on your business plan so that you can spot the things you need to get done to complete it. Most investors are not going to just hand you money without a pretty solid business plan though, so if you're not too good at doing the financials you better get to work on learning how to project pro-forma cash flow and projections. Once you have your business plan you are well on your way to creating a successful startup!